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ABSTRACT

Financial aid in American higher education is discussed with a primary focus on undergraduate education. Some major issues pertaining to public policy and pricing in higher education are considered, and the practice of subsidizing students, with special attention to the role of the federal government, is briefly reviewed. Information regarding access to higher education for the poor, minorities, women, and the middle class is presented, and the source of funds for financial aid and the methods of distributing those funds are discussed. In the private sector, private money provided the subsidy while in the state systems public institutional support permitted tuition to remain relatively low, and expansion of capacity made it possible for virtually anyone seeking a place to find one. The federal government is a relatively new part of this enterprise, but in a fairly short period of time its role has grown enormously. Promoting equality of opportunity has been the federal government's single most visible and identifiable goal with respect to higher education. Information about participation in higher education based on family income, race, family income and aptitude taken jointly, and sex is presented. The state of the job market for college graduates is briefly considered. The determination of a student's need for financial aid includes taking into account the expected parents' contribution. Calculation of student eligibility index for the Basic Educational Opportunity Grant program is covered. (SW)

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by

Kenneth M. Zwilich

6 March 1978

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The views expressed in this paper
are the responsibility of the author alone.

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KMD

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I. INTRODUCTION

This paper is intended to serve as an introduction to financial aid in the setting of American higher education. In several senses the sheer volume of aid is large. Obviously much money is available, and government at one level or another is the major provider, but perhaps just as striking is the number of awards that have been established privately as well as the wide-ranging universe of prospective recipients. Today, most of the available aid is awarded on the basis of need, but some aid is also allocated on other bases, sometimes in conjunction with considerations of need and sometimes not. Among others, aid is available for would-be nurses and children of glassblowers in Philadelphia.[1] The Western Golf Association even sponsors scholarships annually for about 900 caddies.[2]

The potential scope of a paper designed as an introduction to financial aid is broad because financial aid is itself a link between many interrelated features of higher education. Most basically financial aid is an aspect of pricing. As such it is a mechanism for modifying patterns of consumption that might otherwise obtain, a mechanism for influencing the size and socioeconomic composition of the student body in the aggregate as well as the distribution of students among institutions.

As with so many other subjects, learning generally about financial aid is not so difficult, but mastering its details is not so easy because the details are many. Moreover, in recent years

important details have been changing rapidly so that, in order to know where things stand now, one needs to have been paying attention recently.

The primary focus of this paper is undergraduate education; systematic consideration of post-baccalaureate programs has been omitted. The omission is merely intended to keep the scope manageable. Obviously, issues pertaining to the finance of graduate and professional education are of the greatest importance and need to be considered in their turn. However, as a corollary, it is useful to remind ourselves that the traditional distinction between undergraduate education, on the one hand, and graduate and professional education, on the other, may often be drawn too sharply.

A useful alternative distinction may be between higher education which is and which is not vocationally-oriented. A reasonable case can be made that at least 60 percent of bachelor's degrees are vocationally-oriented. Such degrees may be more akin to, for example, law degrees than to most bachelor's degrees in English. Moreover, the distinction between vocationally-oriented and other programs is especially pertinent now when some of the federal money devoted to financial aid is for vocationally-oriented postsecondary programs in institutions outside the collegiate sector.

The next seven sections of the paper -- sections two through eight -- are organized as follows: section two contains a brief statement of some major questions for policy, and section three introduces some issues pertaining to pricing in higher education. Section four provides a brief review of the practice of subsidizing students, paying special attention to the role which the

federal government has played. In section five there is information regarding access to higher education for the poor, minorities, and women as well as some discussion of what has come to be known as the plight of the middle class. The following two sections discuss, respectively, the sources of funds for financial aid and the methods of distributing those funds. Finally, the last section contains those concluding observations which seem to be most pertinent.

II. SOME MAJOR ISSUES PERTAINING TO PUBLIC POLICY

What are the central issues of public policy that financial aid poses? More than one list could be made, but the six sets of issues that follow cover many of the most important concerns.

First, who should obtain higher education? To what extent should policy be to increase access, and to what extent to increase opportunities for choosing what institution to attend? What role does the government play in promoting equal rates of participation in higher education for certain identifiable groups such as minorities and women?

Second, is need to be the primary criterion for awarding public money and, if so, should academic ability be a secondary criterion? By what procedure is the level of need to be determined in individual cases? When federal money is to be allocated via the institutions, should the government simply establish the aggregate sum, or should it provide uniform, centralized rules governing the distribution to students?

Third, what are the competing claims of the poor as opposed to the middle class on public funds for financial aid? Are those claims different when the rates of participation among those groups are unequal?

Fourth, to what extent should the federal government place financial aid directly in the hands of each student to take -- within broad limits -- to whatever institution he or she chooses, and to what extent should the money be allocated initially to the institution with the further understanding that the institution will parcel it

out to the students? In other words, to what extent should the government use its allocation of financial aid to promote rather than to diminish competition among institutions?

Fifth, to what extent is the individual student's education to be financed by borrowing, and to what extent are young people to be in debt when they finish their education? To what extent should the procedures for awarding financial aid encourage students to abandon their financial ties to their parents sooner rather than later? Should those procedures incorporate expectations that parents have a responsibility to contribute generously to their children's higher education?

Sixth, what are the by-products for institutional finance of decisions regarding the eligibility of students and of institutions? The financial health of all higher educational institutions depends primarily upon their success in obtaining revenue from the sale of education, and the upcoming period is one in which undergraduates in the traditional age range will be scarce. Therefore where the available aid is spent is of great consequence to the institutions. A particularly sensitive issue is the competition between the public and private sectors. Relative to possible options, any method of allocating aid favors some institutions over others, although because the interrelations can be subtle, perceptions may not coincide regarding which institutions are favored and which are put at a disadvantage by any particular method.

In any discussion of financial aid, these issues are central. They do not lend themselves very satisfactorily just to simple quantitative answers although, to be sure, quantities are involved.

So, too, however are judgments, preferences, and values. Although it is not the organizing principle of this paper simply to take up each of these issues in turn, some broad concern with all of them is central to the discussion which follows.

III. SOME BACKGROUND ON PRICING AND THE COSTS OF OBTAINING A HIGHER EDUCATION

In the economic transactions in which we routinely engage -- buying groceries, for example -- all purchasers typically pay the same price for the same item in any particular store. To be sure, there are exceptions, but they are just that: exceptions, not the rule. By contrast, it is common in higher education for different purchasers -- students -- to pay different prices. In effect, financial aid is a means of creating an alternative to a system of uniform prices, primarily for the purpose of improving the distribution of higher education.

It may be helpful to preface our discussion of financial aid with a brief comment about the general function of prices in a decentralized economy. Prices serve as a set of signals to which producers and consumers can react by altering the amounts they wish to sell or to purchase.[1] In a competitive market operating under optimal conditions, producers and consumers will react in such a way that the output of one commodity can only be expanded by sacrificing some amount of some other commodity, and the average costs of production for the output actually produced will be as small as possible. Moreover, the prices established in equilibrium will be a measure both of what goods are worth to consumers and of what they cost to produce.

Despite the impressive results that a market can theoretically generate, however, the actual outcome is often viewed as unsatisfactory by the political process. First of all, it turns out that many possible market outcomes are "efficient" in the technical

sense described above but that each of these "efficient" outcomes implies a different distribution of income. Thus even if an "efficient" result is produced by the market, it might nevertheless be regarded as inequitable relative to other possibilities. Second, in practice real-world markets often fail to achieve technically efficient outcomes.

If society is dissatisfied with the outcome yielded by the unmodified working of market forces, government frequently responds by using its regulatory and fiscal power. The impact of such public policy on higher education is especially visible in its structure of pricing. To begin with, the states provide large institutional subsidies that enable charges -- the level which all students would pay if additional subsidies were not also available -- to be kept low. Moreover, both the federal and state governments provide additional subsidies -- financial aid -- to individual students.

The charges and the costs of attending college are not quite the same thing, and it will be useful to consider the distinction. Tuition and required fees (TRF) is both a charge and a cost. Room and board is certainly a charge but is less clearly a cost; young people must eat and live somewhere whether or not they attend college -- though, admittedly, they can generally live much more cheaply with their parents than elsewhere. Income foregone by attending college rather than working is not a charge but is frequently regarded as a cost. Especially when a poor family relies upon a son's or daughter's earnings, income foregone may represent so large a cost that it actually does prevent the prospective student from attending.

Tuition and required fees is the component of charges that varies most across the spectrum of institutions. For example, in 1977-78 TRF is $5500 at Bennington and $1 at Lake Tahoe Community College.[2] During 1977-78, for students living in institutional housing, TRF is roughly 51 percent of the average budget in private four-year colleges and only 17 percent in public two-year institutions.[3]

The large discrepancy between tuition in public and private colleges is central to the competitive tensions between the two sectors. Indeed what the level of tuition in the public sector should be is an issue over which there is disagreement frequently accompanied by strong feeling.

In the first half of the 1970s both the Committee on Economic Development (CED) and the Carnegie Commission put forward proposals that implied higher tuition in the public sector although the Carnegie Commission explicitly expressed the wish for the two-year colleges to be exempt altogether from any such consideration. The CED's proposal, issued in 1973, suggested that within ten years for the two-year colleges and five years for all other institutions, tuitions rise "until they approximate fifty percent of institutional costs (defined to include a reasonable allowance for replacement of facilities)...."[4] The Carnegie Commission made a more modest -- and also more detailed -- proposal. It provided for tuition to vary across the several divisions within colleges and universities, in relation to costs of instruction, more than it does at present.[5]

The main recommendation was that tuition in public institutions should rise over ten years to about one-third of educational costs except that the public two-year colleges were to be exempted altogether. The Commission favored "low, or preferably no tuition for them."[6]

The case for higher tuition in public education is opposed in many quarters. One organization strongly committed to the principle of low tuition is the American Association of State Colleges and Universities. One of its pamphlets, published in 1976, said, in part, the following:

> For over 150 years, the American people have accepted the principle that tuition should be kept as low as possible at public institutions....
>
> Yet today, Americans seeking a college education are in real trouble. More high school students are graduating each year, but fewer of them are going on to any college.
>
> The most important single reason for this decline in higher educational opportunity since about 1968 is student charges. Hard-pressed governors and state legislators have raised tuition and other charges as a way of balancing state budgets, sometimes with the mistaken belief that 'there is enough student aid to take care of anyone who wants to go to college,' or that 'fewer people want to go, anyway.'...
>
> This pamphlet brings together data from many governmental and non-governmental sources to make the overwhelming case that many people now are kept out of college because of student charges, especially tuition; and that a major effort is needed to help reverse the trend toward higher student charges and lower enrollment rates. America's third century holds serious challenges and great promise. It is no time for Americans to turn their backs on over 150 years of progress toward universal opportunity for education beyond the high school level.[7]

Information from the Carnegie Council on Policy Studies in Higher Education and from the College Entrance Examination Board (CEEB) provides some perspective on trends in tuition, especially in the setting of the competition between the public and private sectors. In 1973-74 the difference between tuition in public universities and the more highly selective private institutions was over $1500 in half of the states and over $2000 in more than one-quarter of them.[8] In the past decade the gap between public and private tuitions, measured in current dollars, has approximately doubled, and although there are conceptual problems with a statement as broad as the following, one can think very roughly that, today, a decision to attend a private rather than a comparable public institution, in the absence of financial aid, is, on the average, a decision to spend an extra $2000 annually.[9]

An interesting aspect of interstate variation in the relationship between tuition in the public and private sectors is the Carnegie Council's finding that, on a state by state basis, tuition in the public sector tends strongly to vary with the proportion of students enrolled in the private sector. Public tuitions are systematically higher in those states in which the private sector is relatively large and lower in those states in which it is relatively small. Only Massachusetts and the District of Columbia are exceptions to the general finding.[10]

Additional information regarding variations in TRF comes from the CEEB which has calculated average TRF for 1977-78 by broad type and control of institution. The results appear in Table 1. Public

tuitions are those charged to residents of the state. One striking feature of the data is the wide range for private four-year institutions. At twenty-five percent of them TRF is below $1840 whereas at another twenty-five percent it exceeds $3490.

TABLE 1*

TUITION AND FEES IN 1977-78
BY CONTROL AND BROAD TYPE OF INSTITUTION

Type of Institution	Mean	Interquartile Range**
Public two-year	$ 389	$ 240*** - 515
Private two-year	1,812	1,348 - 2,185
Public four-year	621	475 - 783
Private four-year	2,476	1,840 - 3,490

* Elizabeth W.Suchar, Stephen H. Ivens, and Edmund C. Jacobson, Student Expenses at Postsecondary Institutions 1977-78 (New York: College Entrance Examination Board, 1977), p. v.

** The interquartile range is calculated as follows: rank the institutions on the basis of TRF. Exclude the quarter of the institutions at the top and the quarter at the bottom of the list. The range of TRF for the remaining institutions is the interquartile range.

*** The figure $240 is an estimate; the correct figure might be slightly higher.

IV. SOME BACKGROUND ON SOURCES OF REVENUE, SUBSIDY OF STUDENTS, AND THE ROLE OF THE STATES AND THE FEDERAL GOVERNMENT

A fundamental and longstanding fact about higher education finance is that the price students pay does not cover the average per student cost of operating a college or university. In that sense all students receive a subsidy, although calculating its extent, especially in the setting of universities whose purposes extend well beyond educating students, depends upon how much of the total cost of running the institution may properly be regarded as a cost of education. But even with this important qualification there is no doubt that higher education is characterized by prices well below costs. If what students pay fails to cover the full cost, and if the institution is to remain financially viable, alternative sources of revenue must be forthcoming.

Right from the start, a major source of additional revenue has been private giving for the purpose of subsidizing students' education. Indeed, the first gift for endowment in all of American higher education was the sum of 100 English pounds which Lady Anne Moulson donated to Harvard in 1643 to "constitute an endowment for the support of 'some poore schooler'...."[1]

In addition to private gifts, a second major source of subsidy for students has been government. Today most discussion about increasing access to higher education centers upon the role of the federal government which now spends more for higher education than all the states combined. But this development is quite new, and in any consideration of the issue of access, it is important to remember

that the states have historically played the major role in making higher education generally and widely available.

To understand how the states have broadened access, it may help to consider in what ways they could restrict it. One simple way would be to make higher education expensive. An alternative would be to limit capacity. Mixtures of the two strategies are also possible and are, in fact, the net result at the nation's most selective institutions.

Against this background, it is easy to understand the major role that the states have played in making higher education widely -- though, to be sure, not universally -- available. They have tended to keep the price relatively low and to provide enough facilities so that some higher education could be offered to virtually all who sought it. In short, at least for the system of higher education as a whole, the states have not sought to limit participation by means of a high price, a rejection of large numbers of applicants, or some combination of the two.

The qualification "for the system as a whole" is necessary because there certainly has been some limitation of access to portions of the system. For example, there has been a tendency for distinguished state universities to become more expensive and selective. In a book published in 1971, Richard I. Ferrin, focusing on developments between 1958 and 1968, found evidence "to support the conclusion that senior public institutions are on the whole less accessible now than they were a decade ago."[2] At the same time, however, new facilities were being created to keep some higher educational opportunity fairly accessible in terms of price, standards of selectivity, and even location. To be sure, not everything possible has

been accomplished by the states, but their part in broadening access to higher education has been substantial and should not be overlooked because of the current focus on federal policy.

The federal government has long been involved with higher education, but until the last 30 or 40 years, its role was restricted primarily to the granting of land to the states as a basis for helping to create public institutions of higher education.[3] The current focus of federal policy -- on providing subsidies to students -- represents a relatively new approach which began in a small way in the 1930s and attained significant proportions after World War II.

During the 1930s, a federal effort to help students finance their education was initiated in response to the Depression. Between 1933 and 1943 -- first under the Federal Emergency Relief Administration and then under the National Youth Administration -- the federal government financed a program of work for college students on their campuses.[4] By allowing many students to remain in college, this program yielded the additional benefit of keeping them out of a depressed labor market.

The next noteworthy federal initiative regarding student aid came in response to another national crisis: World War II. The war had created a shortage of certain kinds of specialized manpower, and programs to train such manpower were being run on an accelerated year-round basis. Thus, students in these programs faced both increased annual tuition charges and reduced income from summer jobs. The government's contribution to solving the problem was the Student War Loans Program for students in engineering, physics, chemistry, medicine,veterinary medicine, dentistry, and pharmacy. This program

ended in 1944, after having made loans to 11,000 students attending 286 colleges.[5]

In anticipation of the end of the war, Congress passed perhaps the best-known piece of legislation providing federal money to individual students: the Servicemen's Readjustment Act of 1944, better known as the G.I. Bill. All told under the provisions of this act, $14.5 billion was spent and 7.8 million veterans received training, although it is worth noting that only about 28 percent of those people received this training in colleges and universities.[6]

After the war, President Truman appointed a Commission on Higher Education under the chairmanship of George F. Zook, who had served as U.S. Commissioner of Education under President Roosevelt. The Commission's report, expressing concerns not unlike many put forward recently regarding access to higher education, recommended, among other things, a major program of federal scholarships. Moreover, it asserted that the "primary basis for determining the award of the scholarship to an individual student should be his financial need."[7] Taking its cue from the Zook Commission, the Truman Administration, between 1947 and 1952, sponsored various pieces of legislation incorporating a program of national scholarships, but none of these efforts was successful.[8]

It was not until the late 1950s that Congress approved another important program involving the federal government in providing some subsidy for undergraduate education. The National Defense Education Act (NDEA), signed by President Eisenhower in September 1958, was the government's response to the general anxiety about American

education that followed the Soviet Union's launching of Sputnik in 1957. Although early versions of this legislation contained provisions for scholarships, Congressional sentiment against the "free ride" won out, and no scholarships were included in the bill that finally passed.[9] The Act's principal vehicle for aid to undergraduates was a program of low-interest loans. The colleges themselves administered this program, but the federal government provided 90 percent of the capital. These loans provided special benefits for talented students who wanted to teach in elementary and secondary schools as well as for those with special ability in science, mathematics, engineering, and modern foreign languages.[10]

It is instructive to learn something about the atmosphere in which this major program of lending to undergraduates -- which is still with us today -- began and initially operated. John F. Morse, a knowledgeable student of the history of NDEA, wrote:

> I have long believed that the basic federal loan program was written by members of Congress who did not really believe in loans, enacted by a Congress the majority of whose members did not believe in federal aid to education, and administered by a Secretary of Health, Education, and Welfare who, at the outset at least, did not believe that students would borrow.[11]

In fact, the students did borrow, and the loans became enormously popular. Whatever misgivings Congress may have had initially, they have long since disappeared. Indeed, over the last decade administration after administration has tried to reduce or eliminate this program, but Congress has steadfastly supported it, and Morse observed that "it seems close to being untouchable."[12]

Only seven years after the passage of NDEA, there followed a landmark measure in the history of federal student aid -- the Higher Education Act of 1965. Its supporters brought it successfully through the political arena largely by uniting the theme of aid for students with the more general theme of combating poverty which had already won political endorsement in the Economic Opportunity Act of 1964. Although the Higher Education Act included other provisions, its central and distinctive feature was that it authorized for the first time federal scholarships for undergraduates.[13] The depth of Congressional reluctance to take this step is suggested by the fact that, as the bill moved through the legislative process, the term "undergraduate scholarship" was replaced by "educational opportunity grant."[14] But whatever the nomenclature, nearly two decades after President Truman's commission had called for them, the nation was given a program providing some scholarships for some undergraduates.

One feature of these grants is of critical importance. They were to be awarded to "qualified high school graduates of exceptional financial need." Commissioner of Education Francis Keppel emphasized the point in his testimony on the bill:

> Please note that this program is designed to help able but needy students. It is not aimed at selecting and rewarding the most academically gifted but rather at giving a helping hand to students qualified for a higher education who are members of poor families.[15]

Certainly this theme was different from the one which underlay the NDEA: developing talent in certain technical fields to promote the nation's interests. Here the concern was very much to serve the individual interests of those who were poor and whose opportunities to obtain higher education were, for that reason, restricted.

It has frequently been said that President Johnson wished to be remembered as the "Education President," and the Higher Education Act of 1965 was very much his bill. In the press release that accompanied its signing he recalled his own early experience as a teacher in a Mexican school:

> I shall never forget the faces of the boys and girls in that classroom at that Mexican school, and I remember even yet the pain of realizing and knowing then that college was closed to practically every one of those children because they were too poor. And I think it was then that I made up my mind that this Nation could never rest while the door to knowledge remained closed to any American.[16]

Though not a full-fledged panacea, the Higher Education Act of 1965 was a start towards opening that door.

Further progress was made with the Education Amendments of 1972, which established Basic Educational Opportunity Grants (BEOGs), the centerpiece of all current federal student aid programs. Unlike the grants authorized in 1965, which allocated funds to institutions, the BEOG program put the money in the hands of the students. Not only was this strategy Congress' way of saying that the needs of students supercede the needs of institutions, but it was also an invitation for students to influence educational output by voting with their dollars for the programs that appeal to them. A second -- and very important -- new theme incorporated in the Amendments of 1972 is a broadening of the notion of the "educational mainstream."[17] BEOGs can be spent at a variety of postsecondary institutions, perhaps half of which are not in the collegiate sector.

As this brief historical sketch reveals, subsidy of students has been a part of American higher education from the beginning.

In the private sector, private money provided the subsidy while in the state systems public institutional support permitted tuitions to remain relatively low,and expansion of capacity made it possible for virtually anyone seeking a place to find one. The federal government is a relative newcomer to this enterprise, but in a fairly short period of time its role has grown enormously. For at least the past decade promoting equality of opportunity has been the federal government's single most visible and identifiable goal with respect to higher education.

V. ACCESS AND ASPECTS OF CHOICE

A. Introduction

Making higher education more widely available -- increasing access -- to those for whom cost is a barrier has been a central theme of federal policy since the mid-1960s. Increasing the opportunity for students to choose which institutions to attend, irrespective of cost, has also been a goal, but because it competes for limited funds with the goal of increasing access, it has been a secondary rather than a primary focus of attention.

With the passage of the Education Amendments of 1972, was every American actually "entitled" to receive higher education? Not unambiguously, when it came right down to it, although one could have drawn a different conclusion from listening to some of the accompanying rhetoric. Just before the Senate's vote, Senator Pell said, "For the first time in the history of our nation, there will be established the right to a postsecondary education".[1] However, the appropriation for BEOGs had to be granted annually, and what each recipient was "entitled" to was only his or her share of the appropriation. Gladieux and Wolanin's assessment of this arrangement is instructive. "Thus the guaranteed floor of resources promised by S.659 for financing a college education was symbolic and not necessarily real."[2] Currently a maximum BEOG of $1800 is authorized, but in fact, the level of appropriations has been such that the largest actual award for 1977-78 is only $1400.

Despite the fact that the BEOG is not an entitlement in the same sense as veterans' benefits are, the program is a major component

of the national effort to increase access to higher education. How successful has that effort been? The question is a complicated one to answer for several reasons. First, what ends up being measured is rate of participation which may be a reasonable proxy for access but is not exactly the same thing. Second, although Congress very consciously had the broader concept of postsecondary education in mind when it established the BEOG program, most attempts to study access have focused on the narrower concept of higher education.

B. Family Income

What can be said about participation in higher education? Family income is the variable perhaps most directly associated with differences in participation. Consider Table 2 where the relationship is shown to be quite direct. In 1975, a family with income over $25,000 that had any children 18-24 years old was almost three times as likely to have at least one of those children in college as a family with income below $10,000. The discrepancy would be even more pronounced if one were to focus on the proportion of families having more than one child in college at various levels of income.[3]

TABLE 2*

PERCENTAGE OF FAMILIES WITH
DEPENDENT MEMBERS 18-24 YEARS OLD
HAVING AT LEAST ONE DEPENDENT MEMBER IN COLLEGE,
BY LEVEL OF INCOME, IN 1975

Family Income	Percentage of Families
below $ 5,000	17.2
below $10,000	22.6
$10,000 - $15,000	34.1
$15,000 - $20,000	44.8
$20,000 - $25,000	46.4
over $25,000	63.6

*Larry L. Leslie, Higher Education Opportunity: A Decade of Progress (Washington: The American Association for Higher Education, 1977), pp. 17-18.

What changes in rates of participation, as related to income, have taken place over time? Table 3 presents the quartiles of the income distribution from which the entering freshmen came in 1967 and 1975. In 1967, 40.6 percent of the freshmen came from the top quartile, but by 1975, only 32.0 percent did. By contrast, whereas only 11.4 percent of the freshmen came from the bottom quartile in 1967, that figure was 16.2 percent in 1975. Thus, in those eight years, important aspects of the distribution of financial backgrounds for the freshman class had changed in a noticeable and quite significant way.

An alternative approach to these relationships is to consider rates of participation in higher education for children of families with low, middle, and high incomes over the period 1967 through 1975. The relevant data appear in Table 4. During those years there was some fluctuation, but over the period as a whole there was virtually

TABLE 3*

DISTRIBUTION OF FRESHMEN BY
INCOME QUARTILE OF THEIR FAMILIES
1967 AND 1975

	1967	1975
Q1 (top quartile)	40.6	32.0
Q2	25.6	25.0
Q3	22.4	26.8
Q4	11.4	16.2

*Leslie, Higher Education Opportunity: A Decade of Progress, p. A-7.

TABLE 4*

PERCENT OF DEPENDENT FAMILY MEMBERS,
18-24 YEARS OLD, ENROLLED IN COLLEGE,
BY FAMILY INCOME, IN 1976 DOLLARS, 1967-76

	Percent Enrolled									
Family Income	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Under $ 8,525	20.0	22.5	24.8	20.8	22.8	22.6	20.1	20.3	23.5	22.4
$ 8,525-$17,050	37.9	38.5	38.8	36.6	35.4	34.2	31.2	31.7	35.1	36.3
$17,050-$25,575	51.9	50.7	50.6	48.4	46.4	44.2	42.7	41.4	45.4	47.5
$25,575 and over	68.3	63.0	65.2	61.7	61.8	56.9	56.6	57.5	59.6	58.2
All income groups	39.1	39.7	41.3	39.1	38.9	37.8	36.6	36.2	38.7	38.8

* The Congress of the United States, Congressional Budget Office, Federal Aid to Postsecondary Students: Tax Allowances and Alternative Subsidies (Washington: The Congress of the United States, Congressional Budget Office, 1978), p. 9.

no change in participation rates for those in the low- and the middle-income categories. However, there was a substantial drop -- from 68.3 to 58.2 percent -- for those from high-income families. This result is consistent with the finding that between 1967 and 1975 the representation in the freshman class had increased for those at the lower end of the spectrum of income and decreased for those at the other end.

To summarize, while there is still a large difference in the rate of participation depending on one's family's income, that difference has diminished in the last decade largely because of the substantially lower participation among those from families with high incomes.

C. Race

Another important set of comparisons pertains to race. A helpful first step is to understand how different the income distribution is for whites and minorities. Table 5 presents these important -- and unfortunate -- results for 1975. It shows that roughly 60 percent of black and about 53 percent of Spanish-origin households but only 38 percent of white households had incomes below $10,000. At the other end of the spectrum roughly 41 percent of white households but only about 21 percent of black and 23 percent of Spanish-origin households had incomes above $15,000.

The most basic finding regarding race is that there are only small interracial differences in gross levels of participation in higher education above and beyond those accounted for by income.[4] Even so, the overall rate of participation for blacks is below that

TABLE 5*

PERCENTAGE DISTRIBUTION OF
BLACK, SPANISH-ORIGIN, AND WHITE HOUSEHOLDS
BY TOTAL MONEY INCOME IN 1975

Income	Black	Spanish-origin	White
under $ 5,000	32.1	24.3	16.8
$ 5,000 - $ 9,999	28.2	29.0	21.6
$10,000 - $14,999	18.5	23.6	20.8
$15,000 - $19,999	10.3	11.5	16.4
$20,000 - $24,999	5.6	6.2	10.6
$25,000 and over	5.3	5.1	13.8

* U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 108, "Household Money Income in 1975, by Housing Tenure and Residence, for the United States, Regions, Divisions, and States (Spring 1976 Survey of Income and Education)," (Washington: U.S. Government Printing Office, 1977), pp. 5-6.

for whites partially because blacks are disproportionately represented among those with low income for whom rates of participation in college tend to be relatively low. However, this overall gap in participation between blacks and whites has diminished substantially in recent years, years in which the proportion of black high school graduates who go on to college has risen markedly.[5] As a matter of fact, for families with comparable levels of income, the proportion of high school graduates going on to college is now generally higher for blacks than for whites.[6]

Some numbers may illustrate the degree of progress which has been achieved. In 1966, whites constituted 90.7 percent of all

freshmen, and blacks 5.0 percent; in 1975 whites were 86.5 percent, blacks 9.0 percent, and all minorities together 13.5 percent.[7] For aggregate college enrollment in 1976, blacks formed 10.7 percent of the total -- still perhaps slightly less than their proportion of the relevant cohorts, but certainly a great advance from the mid-1960s.[8] Indeed, between 1965 and 1976 total black enrollment had grown 288 percent, while total white enrollment had increased by only 63 percent; in 1976, nearly 1.1 million blacks were enrolled in college.[9]

It would be a rather obtuse view of equal opportunity to focus entirely on the proportion of high school graduates going on to higher education from one racial group or another if widely varying proportions of those groups made it through school in the first place, especially since not graduating from high school is still more frequent for blacks than whites. As of March 1977 only 75.3 percent of black 20-24 year olds were high school graduates as compared with 85.1 percent for whites.[10] Thus, although great progress has been made in the proportion of blacks who, having completed high school, go on to college, there is still a significant difference in the rate at which blacks and whites become eligible to attend college by successfully completing high school.

A final point of racial comparison concerns dropout rates not from high school but from college. What evidence there is suggests

that the retention rate is much lower among black than among white college students. A Census Bureau study discovered that 42.8 percent of the whites and 59.1 percent of the blacks who had started as freshmen did not enroll as seniors in the fall of 1974.[11] In any such study there are always difficulties with matters like leaves of absence and transfers, but the magnitude of the difference between blacks and whites is an important finding. It should prompt us to consider very carefully what happens to those whom a policy of equal access may have helped to enroll in college. Getting through registration is a crucial first step, but unless it is a prelude to a worthy educational experience, the victory from it will have been Pyrrhic to say the least.

D. Family Income and Aptitude Taken Jointly

This note is a good one on which to turn to the work of Humphrey Doermann which presents extremely useful information about participation in college.[12] Doermann provides an estimate of the joint distribution of high school graduates by family income and verbal aptitude. Within each cell of the joint distribution for 1976, he has also provided an estimate of college attendance. These results are presented in Table 6. Here is how to read it. Consider, for example, verbal score between 300 and 449 and family income between $14,100 and $19,100. All told in 1976, 302,000 high school graduates were estimated to fall into this category; 182,000 of them -- 60.3 percent -- were estimated to have enrolled in college within eighteen months of graduation from high school.

This table shows several things. First, family income and verbal aptitude appear to be closely associated. As the denominators in column 4 show, the absolute number of students from each of the categories of income is about the same, but the distribution of verbal scores is very different at each level of income. Students whose family incomes are high also tend to have high verbal scores. Similarily, students whose family incomes are low also tend to have low verbal scores.

The table is also instructive regarding participation in college. For the moment, disregard the row and the column marked "Total." For the remainder of the table, a move from any cell to one to the right of it or below it will correspond to an increase in the percent of those attending; in the same way, a move from any

TABLE 6*

ESTIMATED DISTRIBUTION OF ALL 1976 HIGH SCHOOL GRADUATES
BY VERBAL APTITUDE, FAMILY INCOME,
AND ATTENDANCE AT COLLEGE
(NUMBER OF STUDENTS IN THOUSANDS)

		(1)	(2)	(3)	(4)
SAT Verbal Score		200-299	300-449	450-800	Total
Family Income		Percent	Percent	Percent	Percent
Less than $8,680	Attending / Total	$\frac{98}{292} = 33.6$	$\frac{142}{271} = 52.4$	$\frac{50}{71} = 70.4$	$\frac{290}{634} = 45.7$
$ 8,680-14,100	Attending / Total	$\frac{85}{223} = 38.1$	$\frac{167}{296} = 56.4$	$\frac{86}{116} = 74.1$	$\frac{338}{635} = 53.2$
14,100-19,100	Attending / Total	$\frac{75}{178} = 42.1$	$\frac{182}{302} = 60.3$	$\frac{117}{154} = 76.0$	$\frac{374}{634} = 59.0$
19,100-25,500	Attending / Total	$\frac{64}{139} = 46.0$	$\frac{190}{297} = 64.0$	$\frac{156}{198} = 78.8$	$\frac{410}{634} = 64.7$
Over 25,500	Attending / Total	$\frac{46}{88} = 52.3$	$\frac{189}{263} = 71.9$	$\frac{239}{287} = 83.2$	$\frac{474}{638} = 74.3$
Total	Attending / Total	$\frac{368}{920} = 40.0$	$\frac{870}{1,429} = 60.9$	$\frac{648}{826} = 78.5$	$\frac{1,886}{3,175} = 59.4$

* Humphrey Doermann, "The Future Market for College Education," in A Role for Marketing in College Admissions (New York: College Entrance Examination Board, 1976), p. 11. For clarification on how to read the table, see the text.

cell to one above or to the left of it will correspond to a decrease. In other words, for any given level of income, the rate of attendance rises as verbal aptitude rises, and for any given level of aptitude, the rate of attendance rises as family income rises. The overall range of variation in the percent attending college is very large: for the highest combined category of income and aptitude, 83.2 percent were estimated to attend whereas for the lowest combined category, the percentage is only 33.6.

The table indicates that there is a rather straightforward sense in which participation in the collegiate sector -- and presumably access to it -- is still highly unequal. To the extent that federal programs go forward and succeed in reducing this inequality in participation in the collegiate sector, there will be certain implications for the institutions. The most important is that the new students who enter the system will come with highly limited prior preparation because those with good prior preparation are already participating in proportions that are unlikely to increase a great deal.

The dilemma is not hard to understand. A recent story in The New York Times is suggestive of what is at stake.[13] The story described the controversy over a minimum competency test, developed by New York's State Education Department, that would have to be passed for high school graduation. The State Board of Regents had been withholding approval for the test, feeling that it was too easy. Among other questions, it asked students to tell time by reading a watch and to determine how many pennies there are in $4. One ninth grader -- a resident of Westchester County -- who had been given the test found it "so easy it was dumb" and felt that he could have passed it as a sixth grader.

The main reason for raising this unpleasant issue is to provide a reminder that the problems of the high schools and the colleges are closely related and will be all the more so if the federal government steps up its efforts to increase access. Precisely to the extent that such efforts are successful, they will bring progressively more poorly prepared students to higher education. What is higher education going to do for such students? Unless this question is carefully answered, equal access could become an invitation to some to enroll in institutions that are just as unhelpful as those high schools whose diploma only certifies achievements comparable to the ability to tell time.

E. Women

Women are another group whose opportunities to participate in higher education have been a focus of considerable attention. Although women are still relatively underrepresented in the student population, as Table 7 indicates, their percentage of total degree-credit enrollment in American institutions of higher education has risen from 34.7 percent in 1955 to 45.3 percent in 1975. The ratio of male high school graduates going to college -- although it has fluctuated a good deal over the years -- is no higher now than it was in the mid-1950s. For females, on the other hand, the ratio has been growing fairly steadily. In 1954 it was only 58 percent as large as the ratio for males, but by 1973, when the ratio for males was .620, the ratio for females was .538, a figure 85 percent as large.

Several particular points regarding women's participation are of special interest. One is that the rate of attrition for those who

had been freshmen in 1971 was much higher for women than for men. In 1974, 60.9 percent of the men who had begun in 1971 were still enrolled compared with only 49.6 percent of the women.[14] The information available does not provide a thorough explanation of this variation.

TABLE 7*

WOMEN'S PERCENTAGE OF
TOTAL DEGREE-CREDIT ENROLLMENT IN
AMERICAN INSTITUTIONS OF HIGHER EDUCATION,
SELECTED YEARS, 1955 THROUGH 1975

Year	Percent
1955	34.7
1960	37.0
1965	38.9
1970	41.5
1975	45.3

* W. Vance Grant and C. George Lind, Digest of Education Statistics, 1976 Edition (Washington: U.S. Government Printing Office, 1977), p. 85.

Another point of interest is that the proportion of women in various categories of institutions underwent some change between 1966 and 1975. Especially notable is that women's share of freshman enrollment in universities expanded between those years from 43.1 to 47.4 percent in the public sector and from 37.5 to 41.0 percent in the private sector. At the same time, their share of freshman enrollment in denominational colleges decreased from 63.3 to 56.2 percent in Catholic institutions and from 56.1 to 50.9 percent in Protestant colleges.[15]

For young men and young women who were freshmen in 1975, the sources of support to pay the college bills were comparable in a number of respects but different in one important way. The relevant data are in Table 8. Both sexes obtained roughly the same proportion of support from grants, borrowing, and savings. The important difference is that men provided relatively more for their own support from working whereas women obtained relatively more from parents and family.

TABLE 8*

PERCENTAGE OF SUPPORT FROM MAJOR SOURCES FOR PAYING STUDENTS' CHARGES FOR COLLEGE, BY SEX, FOR FRESHMEN IN 1975

Source	Percent	
	Men	Women
Parents or family	40.6	47.2
Total Grants	19.7	20.3
Total Self-support	36.9	31.2
From: Work	20.0	14.9
Borrowing	6.2	6.4
Savings	10.4	9.2
Other	2.8	1.3
Total	100.0	100.0

* Leslie, Higher Education Opportunity: A Decade of Progress, p.41.

F. The Job Market

This discussion of access would not be complete without some mention of the state of the job market for college graduates. "To get a good job, get a good education," goes the old saying. That statement has taken on new meaning in the 1970s. On the one hand, the absence of a college degree is, probably more than ever before, a barrier to obtaining one of society's "good" jobs. On the other hand, the job market for college graduates is less favorable than it once was. College graduates are more plentiful, relative to the demand for them, than they were before the late 1960s and the earnings of college graduates now exceed the earnings of non-college graduates by relatively less than they once did.[16]

Under these circumstances, it is crucial for those who do enter higher education to obtain as realistic an assessment as possible of what their job prospects are likely to be. It would be terribly unfortunate if large numbers of young college graduates over the next decade or so were subjected to the frustrations and disappointments which so many recent PhDs have already encountered. The point is not to discourage young people from attending college but to make them aware that popular notions about what kinds of jobs college graduates obtain may still be largely based upon experience from a time when perhaps one-quarter of an age cohort were actually college graduates. As that fraction moves into the range of one-third to one-half, the spectrum of jobs filled by college graduates will tend to expand and to include some jobs generally regarded as less desirable.

The implications of this development are two-sided. On the one hand, it may place an ever greater premium on attending highly selective colleges, insofar as society's mechanism for allocating desirable jobs distinguishes their graduates from others. On the other hand, it may prompt some young people, who might otherwise have attended college, not to do so. It is a fact that the proportion of male 18-21-year-olds enrolled in college fell dramatically between 1966 and 1976, as the data in Table 9 indicate.[17] Many factors may account for these lower participation rates, but the deteriorating relative position of the college-educated in labor markets is surely one of them.

TABLE 9*

PERCENTAGE OF 18-19- AND 20-21-YEAR-OLDS ENROLLED IN SCHOOL OR COLLEGE, BY SEX, 1966 THROUGH 1976

	Male 18-19	Female 18-19	Male 20-21	Female 20-21	All 18-19	All 20-21
1966	57.8	37.7	41.4	20.9	47.2	29.9
1967	56.3	40.3	44.3	24.9	47.6	33.3
1968	60.4	41.3	45.0	21.5	50.4	31.2
1969	59.4	41.8	46.5	25.3	50.2	34.1
1970	54.4	41.6	42.7	23.6	47.7	31.9
1971	55.4	43.4	38.9	26.8	49.2	32.2
1972	51.2	41.8	37.3	26.3	46.3	31.4
1973	47.9	38.2	34.4	26.3	42.9	30.1
1974	45.8	40.7	34.8	26.0	43.1	30.2
1975	49.9	44.2	35.3	27.4	46.9	31.2
1976	48.2	44.4	33.6	30.6	46.2	32.0

* U.S. Bureau of the Census, Current Population Reports, Series P-20, No. 309, p. 6.

Table 9 also shows that for 18-21-year-olds as a whole the participation rates for the decade were close to constant because the large decreases for men were roughly offset by large increases for women. The changes for women are also presumably attributable to a variety of factors, but improving employment opportunities for them may be an important one.

C. The Middle Class

A final topic for consideration in this section is what is frequently described as "the plight of the middle class." The range of family incomes people have in mind when they discuss this topic varies and is often not even specified but typically is something like $11,000 through $25,000, although other limits are also used, frequently lower ones.

The plight of the middle-income families is that they usually can neither comfortably afford the college educations to which they aspire for their children nor obtain enough financial aid in the form of grants to ease their burden substantially. If there is more than one child in the family, the problem is that much greater. Although there is some evidence that states and colleges themselves have been making special efforts since 1972 to help these families, it is also true that grants from the federal government have been largely directed toward helping children from poor families.[18]

In considering the difficulties of the middle class it is helpful to have some sense of the different ways students' college bills get paid as a function of family income. Table 10 is instructive; in this case middle income has been defined as $8,000 - $19,999. The

table shows that students from middle-income families pay an extremely large proportion of their own bills, considerably more than students from either low-income or high-income families.

TABLE10 *

PERCENTAGE OF SUPPORT FROM MAJOR SOURCES FOR PAYING STUDENTS' CHARGES FOR COLLEGE, BY LEVEL OF FAMILY INCOME, FOR FRESHMEN IN 1975

	Family Income		
Source	Under $8,000	$8,000-19,999	$20,000 and over
	Percent		
Parents or Family	18.6	36.8	62.9
Total Grants	48.4	21.0	7.1
Total Self-support	30.2	39.7	27.8
From: Work	16.3	20.3	14.6
Borrowing	6.9	8.2	3.8
Savings	7.0	11.2	9.4
Other	2.8	3.5	2.2
Total	100.0	100.0	100.0

* Leslie, Higher Education Opportunity: A Decade of Progress, p. 26.

Another point of importance comes from a comparison of rates of participation by level of family income. The relevant data have already been presented in Table 4 , and, as previously mentioned, they show that over the past decade participation was roughly constant

for those from both middle- and low-income families, However, in the current context the important point to raise is that towards both the beginning and the end of the period in question -- 1967-1976 -- the rate of participation was over fifty percent higher for those from middle-income than for those from low-income families.

An obvious question attracting much attention is: has the burden of financing college education been increasing for the middle class? Much of the rhetoric that has been addressed to this issue either says directly or strongly implies that the burden has increased. However, two sources that are widely presumed to speak authoritatively-- the Congressional Budget Office and the Carnegie Council on Policy Studies in Higher Education -- both take a contrary view. The Congressional Budget Office concludes its investigation of the question this way:

> These data on family income, college fees and student aid do not support the claim that during the period 1967-1976 the financial burden of college expenses has increased for middle- and upper middle-income families in general.[19]

The summary statement from the Carnegie Council is the following:

> ...tuition costs have risen more or less parallel with the rise in per capita disposable personal income (1970-71 to 1975-76). The total cost of tuition and board and room, however, has risen less rapidly than personal income...and thus the real burden on families and students has gone down, not up, as if often said to be the case.[20]

Despite these conclusions, there is a sense of unease and frustration among the middle class which is not simply attributable either to self-pity or to political posturing. How is one to explain it? There are several general considerations which may be pertinent here.

For one thing, the fact that members of minority groups, a large proportion of whom are poor, are now participating in higher education at rates that are high by historical standards may be making a number of middle-income parents especially sensitive about where their children go to college, especially hopeful that they will attend private institutions. But private education is expensive, and the burden is particularly heavy for those who are too well off to qualify for much aid but not well off enough to be able to pay a tuition of $3500 or even more. In this regard, it is possible that the increased employment among women since, say, the 1950s may, in an interesting way, be making the squeeze on the middle class feel more uncomfortable now than it did twenty years ago. Then the style of life to which the family grew accustomed tended to be supported by one income; today, for more and more families, two incomes are becoming the rule and the basis for determining the average level of family spending. Thus twenty years ago there may have been more reserve earning power in middle-income families than there is today. One at least has the impression that if the foreman's son from Peoria were admitted to Dartmouth in the 1950s, his mother would frequently go to work for the duration to help pay the bills. Today, she is much more likely to be working already so that this reserve of earning power is not as widely available as it once was. This suggestion is speculative, but if the hypothesized scenario is true, it could go a long way towards explaining some of the middle class' difficulties concerning the costs of college.

Another aspect of the middle class' discomfort may relate to changing claims on its budget. One often hears that the price of a

college education, based on some gross barter ratio, has hardly changed at all in three or four decades. A year at an expensive private college has cost approximately as much as an Oldsmobile for decades. But an alternative approach would be not to look simply at the price compared to total income but to divide the earlier and the more recent income into fixed and discretionary components. It is possible that part of the middle class' difficulty comes from the fact that the charges for college have grown much more rapidly than the discretionary component of income. Of course, there are some problems in defining what is fixed and what is discretionary. However, for at least one important item -- the federal income tax -- the situation is quite clear. With its graduated rates pegged to money income, that tax will, in an inflationary era, be at least one major factor reducing the discretionary component of income over time for any given level of real income.

For instance, if someone could just pay for college in 1965, and if, between 1965 and 1975, the only change to take place was that every price in the economy -- including the person's income and the charges for college -- grew five percent a year, by 1975 he or she would no longer be able to pay for college because federal taxes would have gone up by more -- and therefore residual discretionary income by less -- than five percent per year. It is instructive to note that, under these circumstances, the barter price between a college education and an Oldsmobile would still remain constant between 1965 and 1975. In other words such comparison alone -- in the absence of other information regarding the budget -- is not a foolproof guide to whether or not the burden of paying for a college education is changing.

One additional factor in the middle class' discomfort may simply be resentment prompted by a sense of having been treated unfairly. In its starkest form, the resentment focuses on the issue of why a family with income around $15,000 - $20,000 should pay high taxes to finance grants for someone else's children when it must simultaneously either limit the choice of college for its own children, or go deeply into debt, or encourage its children to borrow heavily, or resort to some combination of all three.

Whatever may be true regarding the burden of college costs for the middle class and whether that burden has been increasing, the political process is moving swiftly at the national level to respond to the middle class' perception of its dilemma. In testimony before a joint hearing of the Senate Committee on Human Resources and the House Committee on Education and Labor on 9 February, 1978, Secretary of Health, Education, and Welfare Joseph Califano said the following:

> President Carter is committed to increasing student financial aid for middle income families with children in college.
>
> . . .
>
> In the last decade, the costs of sending a son or daughter to college have risen rapidly. Between 1967 and 1976, average college costs increased by 77% to levels so high that many middle income parents have real fears that when the time comes they either will be unable to afford to give their children the benefits they received from a college education or will have to make extraordinary sacrifices to do so.
>
> . . .
>
> We must now also recognize, as a matter of statute, that many middle income families are finding the educational opportunities of their children limited by lack of financial resources. And we must act to ease the burden middle income families bear in paying for higher education.

> ...[W]e believe that the middle income problem is so urgent that we need to offer a solution that can secure swift Congressional enactment. The President's proposals will go a long way toward easing the toll that the costs of higher education now exact from America's lower and middle income families. And they will provide an excellent base upon which to build as Congress and the Administration consider reauthorization next year.
>
> . . .
>
> With the joint leadership of Congress and the Administration, we can make great strides in solving a problem that has bedeviled the middle income families of America. The proposals announced by the President -- and supported in broad outline by you, the education leadership of the Congress -- promise to relieve the burdens borne by those parents with children in institutions of higher learning.[21]

Right now it appears to be a foregone conclusion that some relief will be forthcoming very soon for the middle-income family; all that seems uncertain is the precise form it will take.

VI. THE SOURCES OF FUNDS FOR FINANCIAL AID[1]

A. Introduction

Much of whatever improvement has taken place in access to higher education can be attributed to conscious policies of financial aid, although the relationship is stronger and the connection clearer for minorities and the poor than for women. It is time, therefore, to examine certain important details pertaining to financial aid. There are two main topics: the sources of funds and the methods of allocating them. The former is the subject of this section; the latter, of the one that follows.

One important source of scholarship aid is private individuals and organizations. The breadth and diversity of this resource can be inferred from the activities of a firm known as Scholarship Search whose business it is to sell prospective college students information about financial aid for which they may be eligible.[2] Apart from S. Robert Freede, the entrepreneur who runs the firm, the principal asset of Scholarship Search is its computerized data bank listing over 250,000 separate sources of financial aid. For a fee -- $39 in 1975 -- the firm will compare information which the applicant provides about himself or herself with the conditions governing the awards. Typically the applicant will receive a five to ten page report listing perhaps ten to twenty sources for which he or she is eligible. If the search fails to provide a list with at least $5000 worth of aid -- beyond state and federal sources and some loan programs about which information is provided gratis -- the fee is refunded.

Private aid programs are funded and distributed in a variety of ways. Some colleges have endowment funds whose income is restricted to financial aid. In other instances, private sources may agree to provide an institution with a certain sum annually, for shorter or longer periods, to finance student assistance. In still other instances, organizations may make awards directly to students with the understanding that the students will take their awards wherever they go to college.

One source of aid that has become especially important to hard-pressed private colleges in recent years is called "unfunded" aid. This form of aid is a direct outgrowth of what Rexford Moon has called, "probably the greatest discovery in the development of student aid" -- namely, that it is not necessary for a college to have "scholarship money" in order to give scholarships.[3] In effect, what it means to give an unfunded scholarship is simply to lower the price in order to attract a student who would otherwise not attend. A major reason why this point is not more widely understood is that the method of accounting employed by educational institutions serves to camouflage it from all but the thoroughly initiated.

As numerous and as important as private sources of aid are -- indeed, taken together they probably even exceed state sources -- in sheer dollar volume they are vastly overshadowed by federal sources. The major programs of federal financial aid are administered by three agencies: the Office of Education, the Veterans Administration, and the Social Security Administration.

B. The Office of Education's Programs

The Office of Education administers six major financial aid programs under Title IV of the Higher Education Act of 1965 and the amendments which have subsequently modified it. Three provide grants -- one of these is a matching program with the states -- two provide loans, and one is a work-study program.

The biggest of OE's programs and the foundation on which Congress wanted all aid to rest is the BEOG program which was authorized by the Education Amendments of 1972. It provides grants to eligible students -- needy undergraduates enrolled at least half-time in institutions defined by law as eligible to participate in the program. A very large proportion of the eligible institutions -- Debbie's School of Beauty Culture in Chicago is one example -- are outside the collegiate sector. This program has been growing rapidly in recent years. In 1973-74, it provided 185,000 students with $50 million; by 1976-77 1.9 million students received $1.5 billion.[4] The budget for 1978-79 is $2.2 billion which was appropriated in the fiscal year 1978 budget because the program is forward-funded.

A central feature of the BEOG program is the set of rules governing the amount of the grant. The award is based on measured need but is subject to a ceiling defined as the lesser of $1400 (scheduled to become $1600 in 1978-79 and $1800 in 1979-80) or half the cost of the student's education -- the so-called "half-cost" rule. Thus a poor student attending a low-cost institution can end up receiving a rather modest award indeed. For this reason, some observers view the program as inequitable; others have asked how a BEOG can be called a "true entitlement" when even the neediest

students will have to find one-half of the cost of their education elsewhere.

The BEOG is principally a transaction between the federal government and the individual student, not between the federal government and the institution he or she attends. It differs in this respect from three older "campus-based" OE programs: Supplemental Education Opportunity Grants (SEOG), National Direct Student Loan (NDSL), and College Work-Study (CWS). These programs are called campus-based because the money is allocated to the educational institution, and each institution is responsible for determining -- within certain limits -- how to distribute it to students applying for aid.

There is an intricate procedure for allocating money under the campus-based programs to the respective institutions. It begins with an application -- the Tripartite Application -- which each institution fills out annually based upon its estimate of the aggregate need of its students. The completed application is first passed to a regional panel which reviews it and makes a recommendation regarding the level at which each of the three programs should be funded. The institution is entitled to appeal that recommendation first to a regional panel and then, if it is not satisfied with the result, to a national appeal panel. Once the amounts recommended for each program in each institution have become final, a complicated mechanism -- slightly different for each of the three programs -- comes into play to allocate the funds actually appropriated first to the states and then, within each state, to the institutions.

The Tripartite Application process and the resulting distribution of funds are both generally regarded as having some rather unsatisfactory features. By requiring the institution to estimate the aggregate need of its students knowing that whatever estimate it makes is very likely to be reduced, the institution is given the perverse incentive to exaggerate that need in the first place. A good deal of gamesmanship is involved. Moreover, the actual procedures for allocation lead to peculiar results. Often enough, students whose circumstances are identical will get all, part, or none of the help they need from the campus-based programs depending upon the state and institution where they happen to be enrolled. Richard Ramsden, who has an excellent discussion of allocation under the Tripartite arrangements, concludes as follows:

> The state allocation formulas and the tripartite application system embody most of what is wrong in concept and execution in federal student aid. The end result is an excessively complex, inequitable system where identical students with identical remaining need, depending upon the state and institution attended, can receive considerable help, some help, or no help at all under the three programs.[5]

The Supplemental Educational Opportunity Grant program has its origins in the Educational Opportunity Grant (EOG) program, the pioneering accomplishment of the Higher Education Act of 1965. When the BEOG was created in 1972, the EOG was simultaneously reconstructed to become the SEOG. Awards are intended for undergraduates of "exceptional financial need" attending eligible institutions. "Exceptional financial need" was never more precisely defined by statute, and the working definition adopted by the regulations is that such need exists when the expected family contribution is less

than half the cost of attendance for the institution which the student actually attends. Thus, whether any particular student has "exceptional financial need" will generally depend on where he or she matriculates. Indeed this program is often viewed as having as its particular goal assisting relatively poor students to attend relatively expensive institutions. In that sense, the word "supplemental" in its title is especially apt.

There are certain limitations on the size of the SEOG. In any year the award may not exceed the lesser of $1500 or half the amount of financial aid provided by the institution. Over the course of an undergraduate career, the aggregate award may not be more than $4000 unless a fifth year of undergraduate study has been authorized, in which case it may not exceed $5000.

The NDSL had its name changed -- but not its initials -- in 1972. Begun as the National Defense Student Loan Program in 1958, it became the National Direct Student Loan Program fourteen years later. Its original purpose was to provide low-interest loans, and preference was to be given to those students who could help the nation eliminate the educational deficiencies which, to many, Sputnik had dramatically illustrated. The institutions administered the programs, but the federal government provided ninety percent of the capital. The expectation was that eventually repayments could finance new lending, but of the roughly 3,000 institutions that have been participating in recent years, only about 150 had reached that stage by the end of 1976-77. In fiscal year 1977 collections were about $240 million, while new lending totaled about $575 million.

The limits on borrowing were raised in 1972 to $2500 through the first two years, $5000 through the completion of the bachelor's degree, and $10,000 through post-baccalaureate study. The interest rate is 3 percent, but no interest is charged while the student is in school. There is a provision for deferring repayment while the borrower is in the armed forces, the Peace Corps, or Vista, or is participating on at least a half-time basis in an educational program. There are also certain provisions for cancellation or partial cancellation of the repayment obligation which have undergone many revisions over the years. Currently, their thrust is to provide this kind of benefit to elementary and secondary school teachers working with children from especially difficult backgrounds. Repayment can be made over ten years.

The changing criteria for defining student eligibility for NDSL provide a good index of some important shifts in federal policy since 1958. Preference was originally given to students of mathematics, science, engineering, and modern foreign languages, and academic achievement was a factor. In 1968 the Amendments eliminated preference for academic achievement, and in 1976 there was evidence of a continued swing of the pendulum in this direction when the Amendments authorized institutions to maintain eligibility to borrow for students who have not remained in good academic standing.

Although the subject is complicated and cannot now be discussed in any detail, the problem of default in the NDSL should at least be mentioned. Measuring default rates has its conceptual complications and is not made any easier in this case by the existence of provisions for cancellation and deferment. Some definitional changes were

recently introduced, and they had the result of changing the measure of the default rate in NDSL through the end of 1973 from 10.4 to 14.2 percent.[6] Despite the uncertainties surrounding them, these numbers at least provide a sense of the magnitudes involved. Quite recently Secretary Califano has said publicly that defaults in NDSL are even more extensive -- in both number of loans and dollars defaulted -- than the widely publicized defaults in the Guaranteed Student Loan program. As of February 1978, about 700,000 NDSLs with a value of about $600 million are in default.[7]

Because it encourages widely-admired values, the College Work-Study program has been enormously popular. Originally part of the War on Poverty legislation, the program was transferred to Title IV of the Higher Education Act of 1965 by the Amendments of 1968. In 1972, the statutory preference was changed from students from poor families to "students with the greatest financial need, taking into account grant assistance provided such students from any public or private sources."[8] The thrust of the amendment was to increase the degree to which CWS funds may be used for the benefit of middle-income students attending high-cost institutions.

The main characteristic of the program is that the government's contribution subsidizes the wages of students doing a wide variety of work. Normally, the subsidy is limited to eighty percent. Under the terms of the program, work for profit-making enterprises is not permitted. The student may work for the institution which he or she is attending unless it is a proprietary school. Two other prohibitions rule out work which displaces anyone regularly employed and work for a partisan political cause. Between 1966-67 and 1976-77, spending under this program grew from $140 million to $670 million.

The State Student Incentive Grant (SSIG) program also began in 1972. It is a matching program whereby the federal government will match, dollar for dollar, increases in a state's scholarship awards from a base year. The state selects the recipients, but the U.S. Commissioner of Education reviews the criteria. The maximum award is $1500.

There is a general sense that the SSIG holds great promise. Following its adoption, a number of states developed their first programs of financial aid. However, SSIG has operated on a much smaller scale than any of the other Title IV programs. It began with $19 million in fiscal year 1974. By fiscal year 1977 the level of funding was $60 million, and it is currently scheduled to rise to $77 million in fiscal year 1979. Such a rate of growth is impressive, but even so, SSIG is still scheduled to remain substantially smaller over the next few years than any of the four other programs already discussed.

The sixth and final program under Title IV is the Guaranteed Student Loan (GSL) program. In this program the federal government neither lends money nor provides capital to support original lending. Instead, it acts as an insurer against loss through lending in two ways. First, it insures some lenders directly in what is known as the Federal Insured Student Loan (FISL) program. Second, in those cases in which another agency -- typically a state agency -- provides the first line of insurance, the federal government stands as a second line, a vehicle from which the state agency obtains reinsurance. The overall aim of the federal government's efforts in GSL and FISL is to make available to students a larger volume of credit

at a lower cost than the usual commercial interplay between borrowers and lenders would call forth.

The GSL began in 1965 and has undergone a variety of revisions since then. For example, the reinsurance feature of the program began in 1968, and in 1972 Congress established the Student Loan Marketing Association -- known informally as Sallie Mae -- as a private corporation to provide a secondary market for guaranteed student loans.

The major terms of GSL borrowing are the following: the annual limit for an undergraduate or vocational student is $2500. An undergraduate may not borrow cumulatively more than $7500. For graduate or professional students the limit is $5000 per year with a maximum allowable obligation of $15,000, including any borrowing done previously. The interest rate the student pays cannot exceed 7 percent -- a substantially higher rate, it is worth emphasizing, than the one charged for an NDSL loan. Currently, students from families with adjusted gross incomes not over $25,000 -- and a few others -- are eligible for an interest subsidy, which means, in part, that the government pays the interest while the student is in school, through a grace period of nine to twelve months, during any period in which deferment is authorized for certain kinds of graduate work or public service, and during up to a year of unemployment. It also means that the lender receives a higher rate of interest than 7 percent; the government pays the difference. Repayment may take up to ten years, and the annual payment is ordinarily not to be less than $360.

The problems of default under GSL have received a good deal of attention. In fiscal year 1974 federal expenditures under GSL because of loans in default were nearly $106 million. As of February 1978, about 300,000 GSLs, worth about $300 million, were in default.[9] Table 11 gives some information on estimated rates of default by type of institution attended and form of guaranty. As mentioned before, measuring and interpreting default rates is a tricky undertaking and should be done cautiously. The guaranty agencies have lower rates, but it is not known to what extent this result comes from superior administration and to what extent from more restrictive lending policies. The table also indicates that rates differ from one type of institution to another. Perhaps even more important, many of the difficulties, according to Arthur Hauptman, are in very well defined places. He mentions two of OE's estimates: first, that students attending roughly 100 institutions account for over half the defaults, and second, that over half the institutions regarded as being "high default risks" are located in California and Texas.[10] In any event, the problem of default has attracted a great deal of attention. It is widely viewed by the friends of student aid as a point of vulnerability for these programs in general, and OE is currently making concerted efforts to improve matters. As Commissioner Boyer reported to the House Subcommittee on Postsecondary Education in May 1977:

> A full-scale compliance effort has been mounted within OGSL to discover and resolve those problems of fraud and abuse in the GSLP. This effort began in 1975 and is on-going.[11]

TABLE 11*

ESTIMATED DEFAULT RATES IN FISCAL YEAR 1974,
BY TYPE OF INSTITUTION ATTENDED AND
FORM OF GUARANTY

	Percent	
	FISL	Guaranty Agency
Colleges and Universities	8.5	7.1
Junior Colleges and Institutes	25.0	13.1
Specialized and Vocational	25.0	15.2
Not Classified	5.5	8.7
Overall	15.4	8.5

* Arthur M. Hauptman, "Student Loan Defaults: Toward a Better Understanding of the Problem," in Lois D. Rice, ed., Student Loans: Problems and Policy Alternatives (New York: College Entrance Examination Board, 1977), p. 144.

Indeed it seems to be. Since around the beginning of September roughly 1500 cases have been turned over to U.S. Attorneys. By contrast, in the entire preceding decade, only about 150 cases were pursued in that way.

So much by way of a brief introduction to each of these programs. Table 12 presents some general information on how the benefits of the various programs -- with the exception of SSIG, which was not included in the study -- were distributed in 1976-77 on the basis of the race and economic background of the recipients and the kinds of institutions they attended. All told, about 4 million separate awards were made, but since some students participated in more than one program, the total number of students aided was about 1.9

TABLE 12 *

SELECTED CHARACTERISTICS OF RECIPIENTS OF AID AND OF PROGRAMS, FOR FIVE TITLE IV PROGRAMS, 1976-77

	Total (unduplicated count)**	BEOG Program	SEOG Program	CWS Program	NDSL Program	GSL Program
Number of Recipients	1,937,000	1,411,000	432,000	698,000	757,000	695,000
Public Institution Percent	72.6	79.9	63.3	64.1	61.4	56.0
Private Institution Percent	27.4	20.1	36.7	35.9	38.6	44.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
Minority Percent	34.9	43.0	39.1	29.3	25.7	17.0
Nonminority Percent	65.1	57.0	60.9	70.7	74.3	83.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
Status						
Dependent Undergraduate Family Income						
Less than $6,000	22.8	30.0	24.4	19.2	14.9	8.0
$6,000 - $7,499	10.1	13.5	11.0	8.9	6.9	5.5
$7,500 - 11,999	17.8	19.6	20.5	18.4	17.8	12.9
$12,000- 14,999	12.2	8.6	12.0	16.5	16.5	16.8
$15,000 or more	9.0	3.3	6.6	11.5	14.5	23.8
Independent Undergraduate	24.0	24.9	25.6	20.5	21.6	18.4
Graduate Students	4.0	--	--	5.0	7.8	14.6
Total	100.0	100.0	100.0	100.0	100.0	100.0
Average Award-($)		$820	$550	$670	$750	$1,380

* Frank J. Atelsek and Irene L. Gomberg, Estimated Number of Student Aid Recipients, 1976-77 (Washington: American Council on Education, 1977), pp. 12, 14, 15.

** Excludes GSL

million. BEOGs were directed principally to those whose family incomes were low, and among BEOG recipients minorities were very heavily represented compared to their representation in the population as a whole. SEOGs also went principally to students from families at the low end of the economic spectrum. By contrast, the loan programs -- especially the GSL -- tended to be used more by those whose family incomes were higher. Roughly 80 percent of BEOGs, but only 56.0 percent of GSLs, were taken to public sector institutions. The average loan under the GSL was substantially larger than the average award or loan under any of the other programs.

Table 13 summarizes the levels of funding of the six programs in recent years, the amount the Administration originally requested for them in its proposed budget for fiscal year 1979, and the subsequent alteration of that original request as presented by Secretary Califano in his testimony before the Senate Committee on Human Resources and the House Committee on Education and Labor on 9 February 1978.[12] The Administration's original request had been submitted as part of its proposed budget only a few weeks earlier. It is a good measure of the political pressures surrounding student aid that in such a short period of time the Administration had shifted from asking for an increase of 6.6 percent to asking for one of 38.4 percent in funding for the Title IV programs. Most of the requested increase is for the BEOG program, and if the Administration has its way, the funding for that program -- which in January it had wanted to increase by less than one percent -- will increase by 46.3 percent.

There is one additional and somewhat more general point suggested by the data in Table 13 . It concerns the important distinction

TABLE 13 *

TITLE IV PROGRAMS,
FUNDING AND ADMINISTRATION REQUESTS,
FY 1977-FY 1979
(millions of dollars)

	(1) FY 1977 Funding Level (for use in 1977-78)	(2) FY 1978 Funding Level (for use in 1978-79)	(3) FY 1979 Original Administration Request (for use in 1979-80)	(4) FY 1979 Amended Administration Request (for use in 1979-80)
BEOG	1,692	2,160	2,177	3,160
SEOG	250	270	270	270**
CWS	390	435	450	600
NDSL	323	326	304	304**
SSIG	60	64	77	77**
GSL	367	530	757	827
Total	3,082	3,785	4,035	5,238

Change from FY 1978 proposed in:
1. Original request for FY 1979 = + 6.6 percent
2. Amended request for FY 1979 = +38.4 percent

* The Washington Office of the College Board, "The Fiscal Year 1979 Federal Budget and the Outlook for Student Assistance Programs," February 3, 1978, p. 4.

Joseph A. Califano, Jr., "Testimony of Secretary Joseph A. Califano, Jr., Department of Health, Education, and Welfare, Before a Joint Hearing of the Senate Committee on Human Resources and the House Committee on Education and Labor," Department of Health, Education, and Welfare, February 9, 1978.

The figure in column (4) for BEOG was derived by adding the extra $1 billion which Secretary Califano said was being requested for this program for FY 1979 to CEEB's estimate of the level of funding in FY 1978 rather than to the slightly lower figure of $2.1 billion given by Secretary Califano as the level appropriated in FY 1978.

** For SEOG, NDSL, and SSIG, Secretary Califano's statement of February 9, 1978 made no proposal to alter the Administration's original request.

between money allocated to students to take to institutions and money allocated to institutions to award to students. The difference is substantial, especially in an era of excess capacity. When the institutions have the money and it is scarce, the students must, in an important sense, compete for it; the power of decision lies with the institution's Director of Financial Aid. But when the students have the money -- and especially when there is excess capacity in the system -- the institutions must compete for the student; the power lies with him or her.

The distinction just presented is fundamental. One of the decisions made in passing the Amendments of 1972 was to emphasize putting the money into the hands of students rather than institutions. Now, over half a decade later, the effects of that decision are making themselves felt. The Administration's amended request for fiscal year 1979 calls for less than one-quarter of Title IV funds to be allocated to the campus-based programs (SEOG, NDSL, and CWS).

C. Veterans' Education Benefits

So far our discussion of federal financial aid has focused upon programs administered by OE. Two other agencies, the Veterans Administration and the Social Security Administration, also administer programs which -- though not providing financial aid in exactly the same sense -- nevertheless put federal dollars into the hands of students with the understanding that those dollars will be spent for education.

In 1944 the first of the major bills providing substantial educational assistance to veterans was passed. It paved the way for large numbers of men returning from World War II to reenter civilian life by participating in education. Since then there have been two other G.I. bills providing benefits for veterans of an era of actual combat, the Korean Conflict G.I. Bill of 1952 and the Vietnam Era G.I. Bill of 1966.

One major change between the first and the later bills was in the provision for making payment. Originally, the government paid tuition directly to the institution and gave the veteran a separate allowance for subsistence. Under the succeeding bills a different system was adopted: all payments were made to the veteran, and from them he was expected to pay his educational expenses. Not surprisingly, under the original system veterans enrolling in college were slightly more likely than students as a whole to enroll in private institutions whereas the revised system produced just the opposite result.[13]

Table 14 provides some information on participation under the three bills. The most striking comparison comes in the very different proportion of participants who took their education in college under the original bill and the most recent one. Several factors underlie the change. For one thing, the veterans' prior education was much greater in the later than in the earlier period. Just over half of the trainees under the World War II bill had graduated from high school; for the Vietnam Era bill, the figure was over 85 percent.[14] Another important factor was the expansion in the scope of

TABLE 14 *

PARTICIPATION IN EDUCATION BENEFITS
UNDER THREE MAJOR G.I. BILLS

		(1) Veteran Population (millions)	(2) Total Participating in Education Programs (millions)	(3) (2) as percentage of (1)	(4) Percentage of (2) attending college	(5) Total spent on Education (billions of $)
World War II Bill		15.4	7.8	50.5	28.6	14.5
Korean Conflict Bill		5.5	2.4	43.4	50.7	4.5
Vietnam Era Bill** (through November, 1976)	Total	11.4	6.7	59.1	56.6	21.7
	Vietnam Era	8.3	5.4	64.3	57.6	

*Ilona N. Rashkow, "Veterans' Educational Benefits: 1944-1978," Congressional Research Service, Library of Congress, November 10, 1976, Revised November 28, 1977, p. CRS-18.

**The Vietnam Era Bill, even though it was not passed until 1966, extended benefits to those who served after 31 January 1955. Thus a large number of veterans, who had served long before the Vietnam War began, became eligible.

programs -- especially of a vocational and technical nature -- offered for academic credit by colleges.

In recent years the general subject of veterans' benefits has received certain unfavorable publicity. On the one hand, there has been the problem of overpayments when the VA has not learned on a timely basis that a veteran was no longer enrolled. On the other hand, institutions have complained that, in trying to monitor the veterans' programs, the VA has meddled excessively in their affairs. These matters are not going to be explored here in any detail, but one general point is worth making to place this general subject in perspective: for the most part the problems that have received so much attention recently are not new. Writing about the original bill, Rashkow put matters this way:

> One unintended result of the GI bill was a profusion of vocational schools set up specifically to participate in the GI bill. By the late 1940's the poor quality of training in many of these schools had become a major issue. So had the fact that many veterans were using their benefits to learn dancing, bartending, auctioneering, and other such pursuits. After 1949 these courses were ruled unacceptable, and schools were required to have been in operation at least one year (later changed to two) and to have enrolled at least 15% nonveteran students before receiving any money under the GI bill.[15]

From the perspective of postsecondary education, the most significant fact about veterans' education benefits is their volatility. Table 15 makes the point vividly for fiscal years 1967 through 1979. At the beginning of the period spending was about $252 million. Nine years later, at its peak, it was roughly twenty times as much in current dollars. Over the same period, though it didn't grow quite as fast, the number of participants still grew enormously rapidly.

TABLE 15*

ENROLLMENT OF VETERANS AND SPENDING FOR VETERANS' TRAINING UNDER G. I. BILL OR BILLS, FISCAL YEARS 1967-1979**

(1)	(2)	(3)	(4)
Fiscal Year	Total in Training (in thousands)	Total Enrolled in Institutions of Higher Learning (in thousands)	Spending (millions of dollars)
1967	468	339	252
19[illegible]	687	414	407
1969	925	529	615
1970	1,211	677	939
1971	1,585	917	1,522
1972	1,864	1,065	1,812
1973	2,126	1,181	2,513
1974	2,359	1,337	3,006
1975	2,692	1,696	4,165
1976	2,822	1,925	5,029
1977	1,938	1,220***	3,567
1978	1,447	912***	2,814
1979	1,237	779***	2,420

* Veterans Administration, Reports and Statistics Service, Office of the Controller, Veterans Benefits Under Current Educational Programs Information Bulletin, April 1977, p. 70.

The Washington Office of the College Board, "The Fiscal Year 1979 Federal Budget and the Outlook for Student Assistance Programs," February 3, 1978, p. 7.

Administrator of Veterans Affairs Annual Report 1976 (Washington: U.S. Government Printing Office, date of publication unlisted), p. 196.

** For Fiscal Years 1978 and 1979 there is estimated to be a small number of trainees and a correspondingly small amount of spending under the Post-Vietnam Era bill in addition to the participation and spending under the Vietnam Era bill.

*** Estimated assuming the proportion of trainees training in institutions of higher learning will be the same in 1977-1979 as it was in 1974-1976.

Very suddenly the turning point came; following it, the decline has been precipitous. The estimates are that, between the peak in fiscal year 1976 -- academic year 1975-76 -- and three years later, the enrollment of veterans under the G.I. Bill will have declined by 59.5 percent, and the total spending on veterans' benefits will have declined by 51.9 percent. Of course it should be pointed out that not all veterans attend the postsecondary level. Moreover, probably only a relatively small fraction of that money came to the institutions in the first place since it is for living as well as for paying educational bills and since veterans tend to attend low-cost institutions. But even when all of this has been said, the implied loss of revenue to postsecondary education promises to put at least some strain on the budgets of certain institutions at a time when even without this additional difficulty, their financial problems are already rather severe.

D. Students' Benefits Under Social Security

The other major program outside of OE that distributes funds to be spent on education is the Social Security Administration's student benefits program. Enacted in 1965, before any of the current Title IV programs except NDSL was in operation, this program extends benefits to "18- to 21-year-old unmarried full-time student dependents of dead, disabled, and retired workers."[16] The principle underlying this program was not financial aid per se but rather the notion that when a parent's income was eliminated, it involved hardship for a child -- even one who was over 18.

Education benefits under social security currently differ in an important respect from those for veterans: they are growing, not shrinking. In fiscal year 1976, outlays were $1.3 billion, which made the program about 50 percent bigger than the BEOG program in that year. Table 16 shows the estimated outlays and number of beneficiaries for Social Security education benefits for fiscal year 1977 through fiscal year 1982. Not all of the beneficiaries attend college. In 1972-73, 70 percent were in college, and 20 percent in high school.

TABLE 16*

ESTIMATED BENEFICIARIES AND OUTLAYS,
SOCIAL SECURITY EDUCATION BENEFITS,
FISCAL YEARS 1977-1982

Fiscal Year	Beneficiaries (thousands)	Benefits Paid (millions of dollars)
1977	841	1,622
1978	876	1,819
1979	900	2,017
1980	908	2,188
1981	911	2,344
1982	910	2,485

* Congress of the United States, Congressional Budget Office, Social Security Benefits for Students (Washington: U.S. Government Printing Office, 1977), p. 10.

Except for some so-called "loans of convenience" extended under GSL, all Title IV's programs are need-based; other things being equal, the award will vary with the level of family income. Benefits under social security are quite different. They resemble insurance payments for loss of income, and therefore the more income that has been lost, the higher the payments tend to be. In 1975, the average annual award was $1900, considerably above the maximum amount then -- or even now -- available in the BEOG program.

Proposals have been made to eliminate or substantially alter this program. Toward the end of his term, President Ford, mindful of the financial plight of the social security trust funds and aware that other student aid programs are based on need, recommended that the program be phased out.[17] President Carter altered that plan and suggested, instead, that a ceiling be put on annual payments to coincide with the BEOG ceiling, but no such change has yet taken place.

E. The States

The federal government is not alone in supporting student aid.[18] The states also have programs of substantial consequence, although in the aggregate they are not nearly as large as the federal programs. In 1969-70, roughly $200 million was awarded by states to 471,000 students. By 1975-76, the level of support had grown to roughly $500 million, and there were 860,000 recipients.[19] During 1977-78, the states plan to spend about $746 million on awards to over 1.1 million students, a growth of 50 percent in just the past two years.[20]

The growth in state expenditures has been stimulated by the federal State Student Incentive Grant (SSIG) program which offers

matching funds to the states. Although enacted as part of the Education Amendments of 1972, the program was not put into operation until 1974-75. In 1969, only nineteen states had programs of financial aid for students. As of 1974-75, thirty-nine states had sixty-one programs that qualified for funds under SSIG, and by the fall of 1977, Alaska was the only state not offering some need-based aid for its students.[21] There have been numerous limitations on the distribution of the states' funds. Of the sixty-one separate programs in 1974-75, fifty-one were restricted to undergraduates, forty-eight were limited to full-time students, and forty-seven limited the use of funds to in-state institutions.[22]

Two characteristics of the states' programs are noteworthy. First, expenditures are heavily concentrated in a few states. In the aggregate, roughly two-thirds of the spending is done by five states -- New York, California, Illinois, Pennsylvania, and Ohio. New York's contribution is expected to be about 30 percent of all spending by the states for financial aid in 1977-78. Because the programs of other states have expanded, this concentration is less pronounced than it was a few years ago -- those five leading states spent roughly three-quarters of the total in 1971-72 -- but it is still quite substantial.[23]

The second characteristic is the difference in orientation between state and federal grant programs. Federal programs give much of their money to students from families with relatively low incomes who tend to go to public institutions. By contrast, more than half of the aid distributed by the states goes to students who attend

private institutions.[24] Joseph Boyd, executive director of the Illionis State Scholarship Commission, has commented:

> It is clear that large numbers of students who are not being served by the federal programs, with family incomes between $12,000 and $30,000, are receiving large amounts of state assistance.[25]

A major question for the future is the extent to which the federal government may condition matching funds upon particular terms which the states dislike. It is possible that there will be disagreement about whether recipients may be part-time as well as full-time students and also about which institutions are eligible to receive the funds. Probably the most sensitive issue for the states is "portability." If the federal government were to insist that matching funds would be available only if students from a given state could use the aid at institutions in other states, there would probably be intense controversy.

Federal and state programs of financial aid together generate revenues which have recently amounted to in the neighborhood of $10 billion annually. In comparison with the total current-fund revenue of higher education institutions, currently somewhat over $40 billion, this amount is substantial, though one must not make too much of the comparison, since not all of the money designated for student aid actually becomes revenue for the institutions. A central theme of federal policy in recent years has been to put financial aid into the hands of the students and to allow them to spend it largely as they choose. This development has put many institutions in the position of having to sell their services and compete for students in a more explicit sense than ever before.

VII. ALLOCATION OF FINANCIAL AID FUNDS

The emphasis in the previous section was on the source of funds. They are provided by individuals and private organizations, by government at the federal and state level, and by the institutions themselves. Sometimes institutions make awards even when there is no "source" in the usual sense. In such cases the aid is said to be "unfunded."

Once aid is available to be allocated, some procedure for allocating it must be adopted. There are many possibilities. One would simply be to hold a lottery. Nothing could be simpler, but the only major accomplishment would be to avoid having to take responsibility for any sensitive decisions. Another possibility would be for institutions to give preference to those students whose presence would especially benefit them, sometimes a violinist, more frequently an athlete.

Athletic scholarships have been around for a long time, and the controversy surrounding them has not changed much over the years. In 1927, Harvard's President Lowell said that colleges should be more than "mere adjuncts to football stadiums," and in 1929 the Carnegie Foundation for the Advancement of Teaching published a report called American College Athletics which, according to The New York Times, "sent shock waves reverberating through the academic community."[1] The report's assessment was the following:

> Into this game of publicity the university of the present day enters eagerly. It desires for itself the publicity that the newspapers can supply. It wants students, it wants popularity, but above all it wants money and always more money.

> The athlete is the most available publicity material the college has. A great scientific discovery will make good press material for a few days, but nothing to compare to that of the performance of a first-class athlete. Thousands are interested in the athlete all the time, while the scientist is at best only a passing show. And so it happens that the athlete lives in the white light of publicity....[2]

Chick Meehan, New York University's football coach in 1929, had seen the report before publication, and he told his team:

> I've already read it, and you're going to be shocked when you see... how little you're getting paid....[3]

Although it is a splashy and notorious topic -- as well as a very important one for some institutions -- the athletic scholarship is only one example of a criterion that may be used in awarding aid. Academic promise is certainly another. Today, however, neither is truly at the center of attention; rather need is the major criterion. To make this point is not to deny that, in many settings, special abilities -- whether in athletics, academic work, or numerous other areas -- have a great deal to do with who is admitted, especially to selective colleges. But the point is that, to a very large extent, efforts are being made to meet evenhandedly the measured needs of all the students actually enrolled. The aim is to avoid giving more than measured need to some, who are especially favored because of what they can do for the institutions, while leaving with less than their measured need those who, though admitted, are nevertheless not so highly favored. This ideal has not been universally achieved, but there are widespread and concerted efforts to move towards it.

In considering needs analysis, it is worth making two points at the outset. First, as practiced, needs analysis involves detailed calculations that give it a greater aura of precision than is warranted.

Inherent in this process are some specific judgments about such things as how families can and should allocate their budgets, what constitutes a reasonable standard of living, and what is sufficient provision for a family's future -- matters which are, to say the least, controversial.

Second, needs analysis, as performed by the federal government and the major private agencies which do this work, is based on the assumption that parents retain a major responsibility to make the largest feasible contribution towards the costs of college education for their children. In that sense, needs analysis is partially in conflict with some of the quite understandable wishes of many young people to abandon their financial dependence on their parents as soon as possible. What needs analysis does resist is any greater than absolutely necessary transfer of financial dependence from the parents to the institution or society at large. At the same time, needs analysis allows an important role for genuine self-help because it makes ample provision for students to contribute to the finance of their own educations by both working and borrowing.

A student's need is defined simply enough as the cost of education minus the resources that are available. The principle resources, prior to any consideration of aid, are the expected parents' contribution (EPC) and the student's summer earnings. The costs of education vary from institution to institution, with tuition being the major component of variation, but these costs can be fairly well estimated. Obviously, the most sensitive, controversial, and complicated matter is to determine the EPC.

Certain background regarding the EPC should be summarized. As things had developed over the years, two private organizations -- the College Scholarship Service (CSS) of the College Entrance Examination Board (CEEB) and the American College Testing Program (ACT) -- stood, in the first half of the 1970s, as the principal vehicles for estimating EPCs. CSS and ACT would receive detailed information regarding families' financial circumstances, and then they would employ their methodologies to estimate what they believed each particular family should contribute. This information would be passed along to the college or colleges to which the student wished to apply.

attracting attention in the first half of the 1970s: the methods employed by CSS and ACT were producing different results in identical circumstances. In some cases, the difference in recommended EPC was as much as $1000. Another problem concerned when the applicants for BEOGs were informed of the outcome. The announcement tended to come late, so late that most of the other sources of aid had already been allocated. Once the information regarding the BEOG was known, financial aid officers had to revise large numbers of awards to prevent some students from having total resources exceeding the costs of their education. Inevitably, such procedures were both confusing and inconvenient for students and their parents.

It is not suprising that in such an environment there developed some major efforts to simplify and improve the system of delivering financial aid. The National Task Force on Student Aid Problems -- sometimes referred to as the Keppel Task Force, after its Chairman, former U.S. Commissioner of Education Francis Keppel -- was charged with this task. The Task Force was organized in May, 1974 and

completed its work in 1975. The National Coalition for Coordination of Student Financial Aid was created as a successor body to pursue some of the Keppel Task Force's initiatives.

Among the many tangible results of these efforts, two stand out. First a uniform methodology has been developed and is currently used by CSS and ACT; now the same information from two families will lead to the same measure of EPC for each. Second, so-called "multiple data entry" has become a reality, thereby allowing the information provided to CSS or ACT to become, in turn, an application for a BEOG. In this way, an enormous amount of paper work has been eliminated since, in many instances, students routinely apply for a BEOG no matter what other sources of aid they are also pursuing. In fact, in twenty states a student must apply for a BEOG as a condition of eligibility for a state award.[4]

Now, how is the EPC calculated under the uniform methodology? There are many details, but the basic strategy is straightforward and closely analogous to the procedure for calculating the federal income tax. From gross income, a number of items are subtracted to arrive at "available income." That figure is supplemented by an amount which depends upon the parents' assets -- the adjustment could be zero -- and the result is "adjusted available income." To that number a progressive rate structure of "taxation" is applied. If more than one child is in college at one time, an additional adjustment is made. The end result is the EPC.

Of course, in thinking about actual results, the important questions concern the details. What should the progressive

taxation rates be? How should different kinds of assets be treated? What consideration is to be given to a family with several children in college at once? As fundamental as these questions are, it is simply beyond the scope of this paper to do more than identify them and emphasize their importance.

Without exploring those details, however, we can examine certain findings. Table 17 provides a comparison of the results of applying the uniform methodology for the academic years 1977-78 and 1978-79 to a sample of 10,000 cases drawn from the files of CSS under certain reasonable assumptions about changes in aggregate economic magnitudes. These results illustrate what magnitude of parental contributions are being expected, on the average, at various levels of income and also show that recent adjustments in the details of the methodology have had the effect of lowering, not raising, the EPC.

This latter point is worth emphasizing. As it happens, the relevant formulas have been modified in the last few years to produce somewhat reduced EPCs. In commenting on this phenomenon quite recently before the House's Subcommittee on Postsecondary Education, Lois Rice of the CEEB had this to say:

> A little over two years ago my organization, acting through the College Scholarship Service, put into effect a wholesale reduction in the levels of expected family contributions toward college costs. The necessary consequence was that hundreds of thousands of middle and upper-income families who (because of their incomes) were not previously qualified for aid found themselves eligible.[5]

By carrying the implication of these remarks one step further, we gain insight into important aspects of the distribution of

TABLE 17*

COMPARISON OF AVERAGE PARENTAL CONTRIBUTIONS,
BASED ON A CSS SAMPLE OF 10,000 CASES,
ACADEMIC YEARS 1977-78 AND 1978-79

Income Levels	Frequency	Mean 1978-79 AY	Mean 1977-78 AY
$ 6,000- 7,999	850	-480**	-421**
8,000- 9,999	1,063	-325**	-273**
10,000-11,999	1,128	-69**	-13**
12,000-13,999	1,196	200	264
14,000-15,999	1,104	450	525
16,000-17,999	931	714	800
18,000-19,999	705	993	1,088
20,000-21,999	493	1,273	1,382
22,000-23,999	322	1,783	1,911
24,000-25,999	231	2,116	2,262
26,000-27,999	158	2,550	2,690
28,000-29,999	87	2,895	3,043
30,000 and up	219	4,983	5,102

* The College Scholarship Service of the College Entrance Examination Board, Financial Aid News, volume 6, number 3, May 1977, p. 2.

** Each negative number implies that the measured need is even greater -- by precisely the amount of the negative number -- than it would be if the expected parental contribution were precisely zero.

financial aid. From the perspective of parents, a lowering of the EPC is generally a good thing because it means that, for a family with any need at all, the amount of need will increase.

Now, who might oppose such a change? Initially we might be tempted to think that the institutions would because, insofar as government funds are limited, any decrease in revenue obtained from the parents will presumably have to come largely from institutional funds. The matter turns out, however, to be more complicated. In a recent paper, James Bowman reported this interesting information:

> Considerable comment is currently heard about the CSS's expected parental contribution levels, particularly for families with incomes over $20,000.... On the one hand, many high-cost, independent institutions say that the expected parents' contributions for families above these income levels are too low. These institutions maintain that they are, in effect, subsidizing family consumption of other goods and services. On the other hand, many other high-cost, independent institutions say that the expected parents' contributions are too high for families above these income levels and that students from these families would be unable to attend their institutions if the CSS analysis were strictly used.[6]

This result seems to confirm an important notion about private colleges. For the most popular colleges, it is apparently something of an irritation to be under obligation to give, say, $2000 worth of financial aid to someone who would gladly come with an award of only $1500. But for other private institutions, which have to work hard to fill their freshman classes and may even have some excess capacity, it is just as great an irritation to be under some constraint to offer only $2000, when $2500 would be required to enroll the student who, though possibly tempted to come, will actually settle for the much cheaper public institution.

So far this discussion of the role of needs analysis has concerned only the uniform methodology which guides the institutions -- primarily about the EPC -- as they construct packages of financial aid. But what about the awarding of the BEOG? Although a student with a BEOG may receive additional funds allocated through the institution, the BEOG itself is awarded by the federal government. The process is formally quite similar to the one carried on through the use of the uniform methodology. First, the contribution from

the student and his family is determined. This number, called the "Student Eligibility Index," is then used in conjunction with a set of tables to determine the amount of the BEOG at the particular institution which the student plans to attend. The tables are constructed to take account of both the $1400 limitation and the half-cost rule.

One important detail underlying the calculation of the student eligibility index for the BEOGs program is worth highlighting because it shows a noteworthy difference between the uniform methodology and the needs analysis of the BEOGs program. Central to each method is a step-by-step elimination from gross income of items that are exempted from the special kind of taxation employed to derive the family's contribution. In each method, a major element to be subtracted is the allowance for family maintenance, but the allowances differ. The uniform methodology uses, with minor modification, the Bureau of Labor Statistics' low budget. The BEOGs program, by contrast, uses essentially the federal poverty standard.[7] Table 18 shows the comparison clearly and underlines the degree to which subjective judgment is very much a part of all systems of need analysis.

In addition to administering the award of BEOGs, the federal government has now also become deeply involved in needs analysis in another sense, one which, based on relevant history, one can easily assess as even more important. The story is intricate, but its main features can be sketched. It has already been mentioned that, over the past several years, CSS has revised its tables in

TABLE 18*

CSS' STANDARD MAINTENANCE ALLOWANCE
AND BEOGs FAMILY SIZE OFFSETS,
FOR APPLICATIONS SUBMITTED DURING
1977-78

Family Size	CSS' Allowance for Undergraduates (dollars)	BEOG's Allowance (dollars)
1		1,050
2	4,970	3,850
3	6,200	4,650
4	7,650	5,900
5	9,030	6,950
6	10,560	7,900
7	11,760	8,750
8	12,960	9,650
9	14,160	10,550
10	15,360	11,450
11	16.560	12.300
12	17,760	13,200
each additional	1,200	

* College Scholarship Service of The College Board CSS Need Analysis: Theory and Computation Procedures for the 1978-79 FAF Including Sample Cases and Tables (New York: College Entrance Examination Board, 1977), p. 22.

Department of Health, Education and Welfare, Office of Education, 1977-78 Determination of Basic Grant Eligibility Index, p.6.

such a way that the EPC declined. These revisions had the effect of increasing the aid-eligible population and of increasing the aggregate amount of "need" in the system. Whoever was to finance the increased levels of aid implied by these changes could not, other things being equal, be expected to welcome them.

We have already mentioned the displeasure of some highly selective private institutions over CSS' efforts to reduce the EPC. As it happens, the federal government was not happy at the prospect either. The reason is obvious. An increase in measured need in the aggregate would surely bring pressure to bear on the government to spend more. Thus, when CSS did reduce the EPC in 1974-75, the stage was set for some conflict. The opening conflict was followed by "negotiations involving the Ford Administration, Representative O'Hara [then Chairman of the House of Representatives' Subcommittee on Postsecondary Education], CSS, ACT, and the 'Keppel Task Force'," and finally some compromise.[8] This episode has largely been responsible for CSS and ACT having a rather new role.

What is central to the change is that OE has published restrictive regulations governing the distribution of aid under the campus-based programs. To begin with, the aid must be allocated in accordance with a needs analysis system approved by the Commissioner. The regulations then go on to specify what sort of system the Commissioner will approve, and it becomes clear that virtually no discretion whatsoever remains for the operator of the system. The only revisions that are allowed are annual changes to adjust mechanically for inflation, and they are not suggested; they are mandated. As a result, to qualify as an

allocator of the campus-based funds, the uniform methodology of ACT and CSS must simply follow the modus operandi established by the Commissioner. Thus there has been quite a change from the independent role CSS and ACT once had.

Although nothing much has been said about the financial aid officer, he or she is the pivotal figure on the campus, who determines the content of the "aid packages" for the individual student, deals with the exceptions, explains the rules, and is frequently instrumental in helping the institution to raise money to support the system of aid.

Two points from the perspective of the financial aid officer at the campus level are worth making. An aid package routinely has three components: loan, grant, work. In order to make the scarce resource of money for aid go as far as possible, it is standard to begin a package with a substantial amount of self-help: loans and work. There are variations, of course, but in the more selective colleges $1800 would not be an unrepresentative figure for the self-help component that is allocated before there is any money in the form of a grant whatsoever.

The second point is the dilemma that so many aid-admissions officers now confront, especially in those private colleges that are below the top ten percent in terms of selectivity. Consider this simplified scenario. The college has some excess capacity, a $4,000 tuition, and five candidates to consider for admission as commuters and for financial aid. One of the candidates needs $4,000 and each of the others needs $1,000. If the one with the greatest need is admitted and given the amount of aid needed, $4,000 in aid will have been awarded, and the institution will have enrolled

one new student and obtained no new revenue. If, instead, the other four candidates are all admitted, and given the amount of aid which they need, the institution will have awarded the same amount of financial aid -- $4,000 -- but in this case it will have four new students as well as $12,000 of extra revenue. Though this account is overly simple, it points to the fact that in a time of excess capacity -- such as now exists and seems certain to persist -- institutions have strong incentives to spread financial aid thinly over many rather than concentrate it heavily on a few.

Although many more details could be discussed, most of the major general features of the allocation process have been presented. One of the most important observations worth emphasizing about it is that the amount of money available in the aggregate, as well as its distribution among institutions, is the primary determinant of the degree to which opportunities for choice can be improved. The BEOG program serves to promote access but not, in any substantial way, to enhance choice. A poor student with a BEOG needs a great deal of additional help to attend a high-cost college. That help can come through the campus-based programs or else from other resources, typically the institution's own. The role of the Dean of Admissions in this process is crucial. It is to enroll a freshman class for which needs in the aggregate are roughly equal to the resources for meeting them which is why, as a practical matter, the processes of admitting students and allocating financial aid go hand in hand. In ideal circumstances, the class is simply admitted without much reference to who does and does not need financial aid,

but in fact, it is a luxury to be able to proceed in that way, and the high-cost institutions which do so, if there are any at all, are few indeed.

VIII. SOME CONCLUDING OBSERVATIONS

The survey of financial aid in the preceding sections suggests a number of concluding observations.

Improving access has been the focus of federal policy. How far have we come? What remains to be accomplished? In considering the federal involvement, it is important to remember that the states have a long history of making access to higher education available for a large proportion of the cohort of high school graduates.

Table 6 -- on page 30 -- provides a central item of evidence on access. It shows the very substantial differences that still exist between rates of participation for those whose incomes are high and low as well as for those whose measured abilities are high and low. If we read down each column we get a clear sense that one unfinished task is to equalize opportunities for access between students who are comparably talented but unequally endowed financially. And to the extent that we are especially concerned with those of high measured academic ability, the numbers in column 3 should especially attract our attention.

To learn the impact of federal policies on access, it would be helpful to know the content of Table 6 for some

appropriate earlier year. Although certain similar tables exist for earlier years, one distinguishing -- cell by cell -- between those who do and do not attend college is not readily available. Thus it is hard to know what improvement there has been -- especially among those groups on whom federal efforts have been focused. However, whatever the rate of progress has been, the table surely suggests that major opportunities still exist for further improvement.

A frequently made suggestion for improving access is to direct money in the first instance to non-instructional costs. Currently BEOG is focused on the total costs of attendance and is therefore probably a less effective vehicle for improving access than if it emphasized providing subsistence which is, after all, the first order of concern, especially for those who are poor. Of course instructional costs would still remain, but a number of people knowledgeable in this area have concluded that there are some quite feasible rearrangements of existing programs -- SEOG in particular -- to deal with the problem.

Another set of questions concerns the particular limits imposed on the size of a BEOG and, more generally, what the relative priorities should be between increasing access and improving opportunities for choice. After all, can the BEOG program truly be described as an access program when it guarantees that -- no matter how inexpensive the education -- a BEOG can not finance more than half of it? That is the burden of the half-cost rule. But, on the other extreme, if a student whose need was large happened to aspire to an expensive

college, the BEOG would not even provide half because of the overall limitation, currently $1400, and, though scheduled to rise, not currently authorized to go beyond $1800 in any event. To be sure, there are other sources of money. In the right circumstances, an institution could make up a package starting with a maximum BEOG as the foundation. Even so, it's a long way from $1400 to the $7495 listed as the total resident budget for attending Princeton during 1977-78.[1] Indeed not everyone must go to Princeton, but the question is: should the federal government take the initiative to make it easier than it now does for some, who might not otherwise go there, to do so?

To raise that issue is to plunge into the midst of the public-private controversy. The other side of allowing a wider range for choosing is that students will make a wider range of choices. There are always institutions for which a small decline in the number of applications can have serious budgetary consequences, but in the period to come, in which excess capacity will become a larger problem for a growing number of institutions, the issue is even more sensitive than usual. Within the range of what now appear to be politically feasible alternatives to such features of the BEOG as the half-cost provision and a maximum authorization of $1800, there is no consensus on what the total impact of particular changes would be on the fortunes of the two sectors, although members of each sector have some sense of proposals which they like most and least. When the lobbying begins the position of the various constituencies within higher education -- which are frequently at a standoff on an issue like revising BEOGs -- are well represented. What tends to get

submerged for a variety of reasons -- aggregate cost certainly being an important one -- is promotion of the goal of making wider the range of choice realistically available to the student.

A particularly important aspect of the general subject of choice is the extent to which those whom federal policies encourage to participate will predominantly end up in two-year public junior colleges rather than, in some representative way, in institutions across the entire spectrum. Writing in 1973, a CEEB panel had something to say on this subject:

> Public policy grounded in a narrow concept of access implies that class status rather than individual attributes and achievements would determine opportunities for higher education; and that the higher education system would become more stratified than it is now on the basis of income and social class.
>
> It is an unstated but frequent assumption that a poor first generation college-goer should enter the local community college or vocational school, his children might enroll in a state college or public university, and the following generation might finally go to a prestigious private college or university. In other words, the poor should rise only one rung at a time up the 'ladder' of institutional types. The panel rejects such thinking as alien to a society that claims to be free of the arbitrary privileges of class.
>
> Because access to higher economic and social positions is influenced by the kind of institution one attends, opportunities for higher education cannot be equal until the poor and minority students are assured not only equality of access but also equality of options among programs and institutions.[2]

What kinds of educational opportunities do the beneficiaries of federal policy actually obtain? Although a precise answer cannot now be given, it is important to remember that unless the educational experience is suitable, the rhetoric of equal access will prove to be hollow indeed. To the extent that improving access

is likely to bring to higher education large numbers of poorly prepared students, the institutions in which they enroll must be able to provide programs from which these students can benefit. Sometimes new offerings will need to be developed; at other times, existing ones will require modification.

Whatever institutions they attend, it is important that those whom federal policies draw into higher education do not enter with unrealistic expectations about the opportunities the job market will offer. Those with higher education still earn more, on average, than those without it, but the gap has been narrowing. Moreover, as the supply of people with some credential from an institution of higher learning increases, the spectrum of jobs which they will hold seems bound to broaden. Unless that point is well understood, there exists the danger that many, better informed about the way things were than the way they are likely to be, may face severe disappointments.

Another important question that emerges is whether there may be room for the federal government to include in its programs of financial aid some awards based on academic excellence. That concept is now far removed from OE's major concerns. Is it possible to introduce it? Is it necessary that there be an all or nothing decision between emphasizing need and academic ability, or is it perhaps possible -- as well as advisable -- to pursue both themes simultaneously?

Still another central issue is the degree to which society wants to encourage students in the future to borrow to finance their

education. Undergraduates have been borrowing, in some cases substantially. Is such a result desirable per se, or is it simply a realistic consequence of the fact that the current costs of undergraduate education exceed what society and parents are willing to subsidize?

Deeply imbedded in all the needs analysis methodologies is the philosophy that the parents should provide as much towards the costs of college as can reasonably be expected. Therefore the absence of any large-scale public effort to facilitate borrowing by parents does seem striking. Between requiring the maximum possible contribution from parents and providing loans exclusively to students, is there not a middle ground whereby loans on favorable terms could be arranged for parents too? To be sure, there are complications in insuring that loans intended to finance college are actually used for that purpose, but such difficulties are hardly insurmountable.

There are at least two possible advantages of lending to parents rather than students. First, chances are that default would be substantially less widespread. If nothing else, the parents are less mobile than their young adult children so that the government would be better able to keep track of where they were. The second advantage -- at least some would so regard it -- is that each family could handle the intergenerational transfer in whatever way it preferred. This flexibility for individual families is largely lost when the predominant provision is for lending directly to students.

The prospect that, as tuitions rise, ever more families will be involved in needs analysis suggests another set of issues. There is an obvious tension in modern society between protecting privacy

and distributing information. This tension is very much present in the overall issues pertaining to need-based financial aid. One cannot run a need-based system without measuring need, and one cannot measure need for a so-called dependent undergraduate without knowing the family's every pertinent financial detail. To some, this issue is highly charged. A news release on February 16, 1978 from Congressman Larry Coughlin's office carried the headline, "Coughlin Blasts 'Welfare' Aspect of Carter Education Program" and included the following strong statement:

> In a stinging critique of the Carter plan to provide financial aid to the middle income, the 13th District Congressman warned that taxpayers would "virtually (be) taking a pauper's oath" to be eligible for aid.[3]

In the setting of public education and low tuitions, the actual magnitude of the problem is relatively small. However, as the strategy continues of raising tuition and compensating by offering aid to more students, the number of families participating in needs analysis also grows. Perhaps one simply shrugs and takes the view that gains in equity compensate for losses in privacy. On the other hand, it is important to emphasize that this system treats people very differently not on the basis of a sharp distinction between those who do and do not pay full average per student cost but rather on the basis of a fuzzier distinction between the degree and source of subsidy obtained by each family.

A final question concerns the wisdom of the choice that Congress made in insuring that most of the federal financial aid would be student-based. It is certainly hard to make any definitive

statement, but it is at least worth reminding ourselves that when the money is in the hands of students -- to spend as they wish -- the institutions are in a position of needing to sell education. When there is excess capacity, certain unfortunate conflicts can easily emerge between the incentive to educate and the need to sell. There is no simple answer, but this dilemma is an important issue to bear in mind in discussions over financial aid.

In conclusion, this paper has been intended to serve as an introduction to financial aid in the context of American higher education in the latter part of the 1970s. The subject is enormous, its implications far-reaching. If the paper has been simultaneously informative about the central features of the current system and useful as a prelude to subsequent consideration of policy, it will have served its purpose.

NOTES

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11. John F. Morse, "How We Got Here From There - A Personal Reminiscence of the Early Days," in Lois D. Rice, editor, Student Loans: Problems and Policy Alternatives (New York: College Entrance Examination Board, 1977), p. 3.

12. Ibid., p. 12.

13. Gladieux and Wolanin, Congress and the Colleges..., p.

14. Alterman, Manpower Policy..., p. 108.

15. Quoted in Alterman, Manpower Policy..., p. 90.

16. Quoted in Alterman, Manpower Policy..., p. 113.

17. Gladieux and Wolanin, Congress and the Colleges..., p. 226.

V. ACCESS AND ASPECTS OF CHOICE

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2. Gladieux and Wolanin, Congress and the Colleges..., p. 114.

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4. Ibid., p. 39.

5. Larry L. Leslie, Higher Education Opportunity: A Decade of Progress (Washington: The American Association for Higher Education, 1977), p. 30.

6. The Congress of the United States, Congressional Budget Office, Inequalities in the Educational Experience of Black and White Americans (Washington: U.S. Government Printing Office, 1977), pp. 28-29.

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11. Leslie, Higher Education Opportunity: A Decade of Progress, p. 32.

12. See Humphrey Doermann, "The Future Market for College Education," in A Role for Marketing in College Admissions (New York: College Entrance Examination Board, 1976).

13. Ari L. Goldman, "Regents Block Test as Too Easy," The New York Times, February 13, 1978, pp. A1, D7.

14. Leslie, Higher Education Opportunity: A Decade of Progress, pp. 38-40.

15. Ibid., p. 38.

16. Richard Freeman has explored this development in great detail. See, for example, The Declining Economic Value of Higher Education and the American Social System (United States of America: Aspen Institute for Humanistic Studies, 1976).

17. As indicated in Table 9's title, the data are actually for enrollment in school or college. It seems highly unlikely that changes between 1966 and 1976 in the patterns of enrollment for 18-21-year-olds in institutions below the college level would modify the general conclusions being suggested.

18. The Washington Office of the College Board, "The Fiscal Year 1979 Federal Budget and the Outlook for Student Assistance Programs," February 3, 1978.

19. The Congress of the United States, Congressional Budget Office, Federal Aid to Postsecondary Students..., p. 14.

20. The Carnegie Council on Policy Studies in Higher Education, The States and Private Higher Education..., p. 18.

21. Joseph A. Califano, Jr., "Testimony of Secretary Joseph A. Califano, Jr., Department of Health, Education, and Welfare, Before a Joint Hearing of the Senate Committee on Human Resources and the House Committee on Education and Labor," Department of Health, Education, and Welfare, February 9, 1978.

VI. THE SOURCES OF FUNDS FOR FINANCIAL AID

1. In preparing this and the following section, I was especially fortunate to have access to Richard J. Ramsden, "Federal Student Assistance," A paper prepared for the Sloan Commission on Government and Higher Education, October, 1977.

2. S. Robert Freede, Cash for College. In this book Freede provides a great deal of information for the prospective college student in addition, of course, to explaining the work of Scholarship Search.

3. Rexford G. Moon, Jr., "History of Institutional Aid in the United States," in Perspectives on Financial Aid (New York: College Entrance Examination Board, 1975), p. 4.

4. Ernest L. Boyer, "Statement by Honorable Ernest L. Boyer, U.S. Commissioner of Education, U.S. Office of Education, Department of Health, Education, and Welfare Before the Subcommittee on Postsecondary Education, Committee on Education and Labor, U.S. House of Representatives," May 25, 1977, p. 29.

5. Ramsden, "Federal Student Assistance," p. 43.

6. Arthur M. Hauptman, "Student Loan Defaults: Toward a Better Understanding of the Problem," in Lois D. Rice, ed., Student Loans: Problems and Policy Alternatives, pp. 145-47.

7. Anne C. Roark, "HEW Announces New Efforts to Curb Student-Loan Defaults," The Chronicle of Higher Education, February 27, 1978, p. 9.

8. Quoted in Boyer, "Statement by Honorable Ernest L. Boyer...," May 25, 1977, p. 16.

9. Anne C. Roark, "HEW Announces New Efforts...," p. 9.

10. Hauptman, "Student Loan Defaults...," p. 150.

11. Ernest L. Boyer, "Statement by Honorable Ernest L. Boyer...," May 25, 1977, p. 34.

12. Joseph A. Califano, Jr., "Testimony of Secretary Joseph A. Califano, Jr.,...".

13. Ilona N. Rashkow, "Veterans' Educational Benefits: 1944-1978," pp. CRS 7-9.

14. Veterans Administration, Reports and Statistics Service, Office of the Controller, Veterans Benefits Under Current Educational Programs Information Bulletin, April 1977, p. 24.

15. Rashkow, "Veterans' Educational Benefits: 1944-1978," p. CRS-6.

16. Congress of the United States, Congressional Budget Office, Social Security Benefits for Students (Washington: U.S. Government Printing Office, 1977), p. ix.

17. Ibid., p. 2.

18. This and the following 5 paragraphs are taken almost verbatim from Kenneth M. Deitch, "Some Aspects of the Economics of American Higher Education," pp. 116-18.

19. Jonathan D. Fife, Applying the Goals of Student Financial Aid (Washington: The American Association for Higher Education, 1975), p. 17.

20. Anne C. Roark, "States Plan to Spend $746 Million on Aid to Students," The Chronicle of Higher Education, October 31, 1977, p. 9.

21. Ibid., plus a conversation with an official from The Chronicle of Higher Education.

22. Fife, Applying the Goals of Student Financial Aid, p. 18.

23. Anne C. Roark, "States Plan to Spend...," p. 5.

24. Ibid.

25. Quoted in Ibid.

VII. ALLOCATION OF FINANCIAL AID FUNDS

1. "The 1929 Carnegie Report Sounded Same Warnings," The New York Times, March 10, 1974, p. 52.

2. Quoted in Ibid.

3. Steve Cady, "Educators Prepare for First Major Study of Sports in 45 Years," The New York Times, March 10, 1974, p. 52.

4. Joseph D. Boyd and Karen L. Pennell, National Association of State Scholarship and Grant Programs, 9th Annual Survey 1977-78 Academic Year.

5. Lois Dickson Rice, "Testimony of Lois Dickson Rice for the Subcommittee on Post-secondary Education, Committee on Education and Labor, United States House of Representatives," February 23, 1978, p. 8.

6. James L. Bowman, "Easing the Burden: Proposed Changes in the Uniform Methodology for 1979-80," College Scholarship Service of the College Board, no date listed, p. 3.

7. The Carnegie Council on Policy Studies in Higher Education, The Federal Role in Postsecondary Education: Unfinished Business, 1975-1980 (San Francisco and other cities: Jossey-Bass Publishers, 1975), p. 23.

8. Chester E. Finn, Jr., "Federalism and the Universities: The Balance Shifts," Change (Winter, 1975-76), p. 27.

VIII. SOME CONCLUDING OBSERVATIONS

1. Suchar, Ivens, and Jacobson, Student Expenses at Postsecondary Institutions 1977-78, p. 32.

2. Quoted in Lois D. Rice, "Federal Student Assistance: Title IV Revisited," A paper presented at the fifty-seventh annual meeting of the American Council on Education, October 11, 1974, p. 18.

3. Larry Coughlin, U.S. Representative, news release, "Coughlin Blasts 'Welfare' Aspect of Carter Education Program," February 16, 1978.

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